

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JUNE 30, 2014 AND 2013,
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and the Board of Directors of
Hyundai Motor Company:

We have reviewed the accompanying consolidated financial statements of Hyundai Motor Company (the "Company") and its subsidiaries. The consolidated financial statements consist of the consolidated statement of financial position as of June 30, 2014, the related consolidated statements of income and comprehensive income, for the three months and six months ended June 30, 2014 and 2013, respectively, and the related consolidated statements of changes in equity and cash flows for the six months ended June 30, 2014 and 2013, respectively, all expressed in Korean Won, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent accountants' responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews. We did not review the financial statements of certain subsidiaries, including Hyundai Capital Services, Inc., whose statements reflect 49.1% of the consolidated total sales for the six months ended June 30, 2013. Those statements were reviewed by other auditors whose reports have been furnished to us, and our conclusion, insofar as it relates to the amounts included for those entities, is based solely on the conclusions of the other auditors.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review conclusion

Based on our reviews and review conclusions of the other independent accountants, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company and its subsidiaries are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards 1034, *Interim Financial Reporting*.

Others

We audited the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year ended December 31, 2013 (not presented in the accompanying consolidated financial statements), in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion in our independent auditors' report dated on March 6, 2014. The consolidated statement of financial position as of December 31, 2013, presented as a comparative purpose in the accompanying financial statements does not differ, in all material respects, from the audited consolidated statement of financial position as of December 31, 2013.

Accounting principles and review standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting principles and review standards and their application in practice.

Deloitte Anjin LLC

August 14, 2014

Notice to Readers

This report is effective as of August 14, 2014, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the independent accountants' review report.

**HYUNDAI MOTOR COMPANY (the “Company”)
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS
ENDED JUNE 30, 2014 AND 2013**

The accompanying consolidated financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the Company.

Kim, Choong Ho
Chief Executive Officer
HYUNDAI MOTOR COMPANY

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013

ASSETS	NOTES	June 30, 2014	December 31, 2013
(In millions of Korean Won)			
Current assets:			
Cash and cash equivalents	19	₩ 7,237,798	₩ 6,872,430
Short-term financial instruments	19	17,937,248	14,875,288
Trade notes and accounts receivable	3,19	3,552,721	3,485,345
Other receivables	4,19	3,226,694	3,118,386
Other financial assets	5,19	614,039	507,821
Inventories	6	7,666,129	7,073,116
Current tax assets		50,068	54,845
Financial services receivables	13,19	21,246,585	21,178,591
Non-current assets classified as held for sale	8	46,347	22,347
Other assets	7,19	1,567,587	1,667,936
Total current assets		63,145,216	58,856,105
Non-current assets:			
Long-term financial instruments	19	54,145	35,495
Long-term trade notes and accounts receivable	3,19	47,640	43,309
Other receivables	4,19	1,084,923	1,127,839
Other financial assets	5,19	2,552,717	2,731,884
Property, plant and equipment	9	21,168,522	21,462,587
Investment property	10	317,237	263,984
Intangible assets	11	3,229,810	3,129,090
Investments in joint ventures and associates	12	14,823,066	14,694,995
Deferred tax assets		603,729	521,399
Financial services receivables	13,19	19,871,643	19,835,016
Operating lease assets	14	11,183,169	10,564,876
Other assets	7,19	187,056	154,900
Total non-current assets		75,123,657	74,565,374
Total assets		₩ 138,268,873	₩ 133,421,479

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2014 AND DECEMBER 31, 2013 (CONTINUED)

LIABILITIES AND EQUITY	NOTES	June 30, 2014	December 31, 2013
		(In millions of Korean Won)	
Current liabilities:			
Trade notes and accounts payable	19	₩ 6,822,194	₩ 6,722,740
Other payables	19	3,581,856	4,687,490
Short-term borrowings	15,19	4,675,586	5,292,798
Current portion of long-term debt and debentures	15,19	7,402,805	8,685,254
Income tax payable		743,096	605,280
Provisions	16	1,810,918	1,782,937
Other financial liabilities	17,19	249,664	144,069
Other liabilities	18,19	5,240,230	3,999,114
Total current liabilities		<u>30,526,349</u>	<u>31,919,682</u>
Non-current liabilities:			
Long-term other payables	19	2,984	15,964
Debentures	15,19	31,651,677	29,322,780
Long-term debt	15,19	5,042,501	4,666,030
Net defined benefit liabilities	33	618,082	389,306
Provisions	16	4,947,603	5,122,982
Other financial liabilities	17,19	449,366	440,113
Deferred tax liabilities		3,555,533	3,352,352
Other liabilities	18,19	1,765,042	1,609,481
Total non-current liabilities		<u>48,032,788</u>	<u>44,919,008</u>
Total liabilities		<u>78,559,137</u>	<u>76,838,690</u>
Equity:			
Capital stock	20	1,488,993	1,488,993
Capital surplus	21	4,129,716	4,130,668
Other capital items	22	(1,128,779)	(1,128,779)
Accumulated other comprehensive income	23	(1,519,086)	(834,036)
Retained earnings	24	51,854,239	48,274,239
Equity attributable to the owners of the Company		<u>54,825,083</u>	<u>51,931,085</u>
Non-controlling interests		<u>4,884,653</u>	<u>4,651,704</u>
Total equity		<u>59,709,736</u>	<u>56,582,789</u>
Total liabilities and equity		<u>₩ 138,268,873</u>	<u>₩ 133,421,479</u>

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

		2014		2013	
	NOTES	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won, except per share amounts)					
Sales	25,38	₩ 22,752,608	₩ 44,401,649	₩ 23,183,445	₩ 44,550,504
Cost of sales	30	17,910,698	34,781,803	17,864,830	34,527,570
Gross profit		4,841,910	9,619,846	5,318,615	10,022,934
Selling and administrative expenses	26,30	2,754,695	5,594,239	2,912,130	5,747,908
Operating income		2,087,215	4,025,607	2,406,485	4,275,026
Gain on investments in joint ventures and associates, net	27	702,261	1,350,794	810,800	1,413,193
Finance income	28	249,640	432,267	168,894	355,836
Finance expenses	28	138,573	255,526	182,089	308,201
Other income	29	346,197	549,741	325,516	737,451
Other expenses	29,30	320,301	483,282	334,383	533,950
Income before income tax		2,926,439	5,619,601	3,195,223	5,939,355
Income tax expense	32	576,579	1,241,648	671,687	1,328,015
Profit for the period		₩ 2,349,860	₩ 4,377,953	₩ 2,523,536	₩ 4,611,340
Profit attributable to:					
Owners of the Company		2,244,624	4,173,329	2,400,887	4,346,152
Non-controlling interests		105,236	204,624	122,649	265,188
Earnings per share attributable to the owners of the Company:	31				
Basic earnings per common share		₩ 8,262	₩ 15,361	₩ 8,838	₩ 15,998
Diluted earnings per common share		₩ 8,262	₩ 15,361	₩ 8,838	₩ 15,998

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Profit for the period	₩ 2,349,860	₩ 4,377,953	₩ 2,523,536	₩ 4,611,340
Other comprehensive income (expenses):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plans	(13,770)	(20,293)	7,579	10,736
Changes in retained earnings of equity-accounted investees, net	(31,383)	(40,019)	12,550	(2,778)
	<u>(45,153)</u>	<u>(60,312)</u>	<u>20,129</u>	<u>7,958</u>
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on available-for-sale ("AFS") financial assets, net	2,180	(141,241)	(2,757)	(104,651)
Loss on valuation of cash flow hedge derivatives, net	(25,711)	(27,715)	(36,875)	(58,450)
Changes in share of earnings of equity-accounted investees, net	(115,962)	(165,146)	157,384	242,366
Gain (loss) on foreign operations translation, net	(482,124)	(402,813)	139,842	413,548
	<u>(621,617)</u>	<u>(736,915)</u>	<u>257,594</u>	<u>492,813</u>
Total other comprehensive income (expenses)	<u>(666,770)</u>	<u>(797,227)</u>	<u>277,723</u>	<u>500,771</u>
Total comprehensive income	<u>₩ 1,683,090</u>	<u>₩ 3,580,726</u>	<u>₩ 2,801,259</u>	<u>₩ 5,112,111</u>
Comprehensive income attributable to:				
Owners of the Company	1,624,415	3,435,330	2,683,910	4,849,686
Non-controlling interests	58,675	145,396	117,349	262,425
Total comprehensive income	<u>₩ 1,683,090</u>	<u>₩ 3,580,726</u>	<u>₩ 2,801,259</u>	<u>₩ 5,112,111</u>

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2013	₩ 1,488,993	₩ 4,158,988	₩ (1,128,779)	₩ (473,373)	₩ 39,993,230	₩ 44,039,059	₩ 3,878,516	₩ 47,917,575
Comprehensive income:								
Profit for the period	-	-	-	-	4,346,152	4,346,152	265,188	4,611,340
Gain (loss) on AFS financial assets, net	-	-	-	(105,042)	-	(105,042)	391	(104,651)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(33,261)	-	(33,261)	(25,189)	(58,450)
Changes in valuation of equity-accounted investees, net	-	-	-	240,928	(2,778)	238,150	1,438	239,588
Remeasurements of defined benefit plans	-	-	-	-	13,174	13,174	(2,438)	10,736
Gain on foreign operations translation, net	-	-	-	390,513	-	390,513	23,035	413,548
Total comprehensive income	-	-	-	493,138	4,356,548	4,849,686	262,425	5,112,111
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(520,832)	(520,832)	(33,177)	(554,009)
Purchase of subsidiaries' stock	-	(53,599)	-	-	-	(53,599)	(121,676)	(175,275)
Others	-	-	-	-	(517)	(517)	(553)	(1,070)
Total transactions with owners, recorded directly in equity	-	(53,599)	-	-	(521,349)	(574,948)	(155,406)	(730,354)
Balance at June 30, 2013	₩ 1,488,993	₩ 4,105,389	₩ (1,128,779)	₩ 19,765	₩ 43,828,429	₩ 48,313,797	₩ 3,985,535	₩ 52,299,332

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HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

	Capital stock	Capital surplus	Other capital items	Accumulated other comprehensive income	Retained earnings	Total equity attributable to the owners of the Company	Non- controlling interests	Total equity
	(In millions of Korean Won)							
Balance at January 1, 2014	₩ 1,488,993	₩ 4,130,668	₩ (1,128,779)	₩ (834,036)	₩ 48,274,239	₩ 51,931,085	₩ 4,651,704	₩ 56,582,789
Comprehensive income:								
Profit for the period	-	-	-	-	4,173,329	4,173,329	204,624	4,377,953
Gain (loss) on AFS financial assets, net	-	-	-	(141,731)	-	(141,731)	490	(141,241)
Loss on valuation of cash flow hedge derivatives, net	-	-	-	(13,981)	-	(13,981)	(13,734)	(27,715)
Changes in valuation of equity-accounted investees, net	-	-	-	(163,084)	(40,019)	(203,103)	(2,062)	(205,165)
Remeasurements of defined benefit plans	-	-	-	-	(12,930)	(12,930)	(7,363)	(20,293)
Loss on foreign operations translation, net	-	-	-	(366,254)	-	(366,254)	(36,559)	(402,813)
Total comprehensive income	-	-	-	(685,050)	4,120,380	3,435,330	145,396	3,580,726
Transactions with owners, recorded directly in equity:								
Payment of cash dividends	-	-	-	-	(534,409)	(534,409)	(51,553)	(585,962)
Increase in subsidiaries' stock	-	(952)	-	-	-	(952)	133,215	132,263
Purchase of subsidiaries' stock	-	-	-	-	-	-	5,649	5,649
Others	-	-	-	-	(5,971)	(5,971)	242	(5,729)
Total transactions with owners, recorded directly in equity	-	(952)	-	-	(540,380)	(541,332)	87,553	(453,779)
Balance at June 30, 2014	₩ 1,488,993	₩ 4,129,716	₩ (1,128,779)	₩ (1,519,086)	₩ 51,854,239	₩ 54,825,083	₩ 4,884,653	₩ 59,709,736

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

	NOTES	Six months ended June 30,	
		2014	2013
		(In millions of Korean Won)	
Cash flows from operating activities:			
Cash generated from operations:	34		
Profit for the period		₩ 4,377,953	₩ 4,611,340
Adjustments		3,744,300	3,994,506
Changes in operating assets and liabilities		(3,930,129)	(3,312,828)
		4,192,124	5,293,018
Interest received		343,085	390,832
Interest paid		(708,895)	(697,937)
Dividend received		977,315	766,351
Income tax paid		(860,823)	(808,242)
Net cash provided by operating activities		3,942,806	4,944,022
Cash flows from investing activities:			
Purchases of short-term financial instruments, net		(1,598,710)	(1,984,651)
Proceeds from disposals of other financial assets		131,233	5,733
Receipts from other receivables		19,546	48,096
Proceeds from disposals of property, plant and equipment		20,543	249,815
Proceeds from disposals of intangible assets		6,532	11,568
Proceeds from disposals of investments in subsidiaries		151,499	-
Proceeds from disposals of investments in joint ventures and associates		18,056	-
Acquisitions of other financial assets		(134,067)	(64,049)
Increases in other receivables		(26,280)	(54,801)
Purchases of long-term financial instruments		(1,496,566)	(1,609,134)
Acquisitions of property, plant and equipment		(1,332,093)	(1,252,407)
Acquisitions of intangible assets		(449,379)	(364,277)
Acquisitions of investments in joint ventures and associates		(23,561)	(22,965)
Other cash receipts from investing activities, net		1,862	5,571
Net cash used in investing activities		(4,711,385)	(5,031,501)

(Continued)

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (CONTINUED)

	NOTES	Six months ended June 30,	
		2014	2013
		(In millions of Korean Won)	
Cash flows from financing activities:			
Repayment of short-term borrowings, net	₩	(739,345)	₩ (1,216,281)
Proceeds from long-term debt and debentures		14,002,298	13,240,921
Paid-in capital increase of subsidiaries		132,263	-
Purchases of subsidiaries' stock		5,649	(175,275)
Repayment of long-term debt and debentures		(11,521,814)	(11,680,926)
Dividends paid		(585,962)	(554,009)
Other cash payments from financing activities, net		(19,759)	(16,735)
Net cash provided by (used in) financing activities		<u>1,273,330</u>	<u>(402,305)</u>
Effect of exchange rate changes on cash and cash equivalents		(139,383)	77,976
Net increase (decrease) in cash and cash equivalents		365,368	(411,808)
Cash and cash equivalents, beginning of the period		<u>6,872,430</u>	<u>6,759,338</u>
Cash and cash equivalents, end of the period	₩	<u><u>7,237,798</u></u>	₩ <u><u>6,347,530</u></u>

(Concluded)

See accompanying notes to consolidated financial statements.

HYUNDAI MOTOR COMPANY AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

1. GENERAL:

Hyundai Motor Company (the “Company” or “Parent Company”) was incorporated in 1967, under the laws of the Republic of Korea. The Company and its subsidiaries (the “Group”) manufactures and distributes motor vehicles and parts, operates vehicle financing and credit card processing, and manufactures trains.

The shares of the Company have been listed on the Korea Exchange since 1974, and the Global Depositary Receipts issued by the Company have been listed on the London Stock Exchange and Luxembourg Stock Exchange.

As of June 30, 2014, the major shareholders of the Company are Hyundai MOBIS (20.78%) and Chung, Mong Koo (5.17%).

(1) The Company’s consolidated subsidiaries as of June 30, 2014, are as follows:

Subsidiaries	Nature of the business	Location	Ownership percentage	Indirect ownership
Hyundai Capital Services, Inc.	Financing	Korea	56.47%	
Hyundai Card Co., Ltd. (*)	“	“	36.96%	
Hyundai Rotem Company (Hyundai Rotem) (*)	Manufacturing	“	43.36%	
Hyundai KEFICO Corporation (Hyundai KEFICO)	“	“	100.00%	
Green Air Co., Ltd.	“	“	51.00%	Hyundai Rotem 51.00%
Hyundai Auto Electronics Company Ltd.	R&D	“	60.00%	
Hyundai Partecs Co., Ltd.	Manufacturing	“	56.00%	
Hyundai NGV Tech Co., Ltd.	Engineering	“	53.66%	
Maintrans Company	Services	“	80.00%	Hyundai Rotem 80.00%
Jeonbuk Hyundai Motors FC Co., Ltd.	Football Club	“	100.00%	
Hyundai Motor America (HMA)	Sales	USA	100.00%	
Hyundai Capital America (HCA)	Financing	“	80.00%	HMA 80.00%
Hyundai Motor Manufacturing Alabama, LLC (HMMA)	Manufacturing	“	100.00%	HMA 100.00%
Hyundai Translead, Inc. (HT)	“	“	100.00%	
Stamped Metal American Research Technology, Inc. (SMARTI)	Holding company	“	72.45%	HMA 72.45%
Stamped Metal American Research Technology LLC	Manufacturing	“	100.00%	SMARTI 100.00%
Hyundai America Technical Center, Inc. (HATCI)	R&D	“	100.00%	
Rotem USA Corporation	Manufacturing	“	100.00%	Hyundai Rotem 100.00%
Hyundai Auto Canada Corp. (HAC)	Sales	Canada	100.00%	HMA 100.00%
Hyundai Auto Canada Captive Insurance Inc. (HACCI)	Insurance	“	100.00%	HAC 100.00%
Hyundai Capital Canada Inc. (HCCA)	Financing	“	60.00%	
Hyundai Motor India Limited (HMI)	Manufacturing	India	100.00%	
Hyundai Motor India Engineering Private Limited (HMIE)	R&D	“	100.00%	HMI 100.00%
Hyundai Capital India Private Limited (HCI)	Financing	“	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Japan Co., Ltd. (HMJ)	Sales	Japan	100.00%	
Hyundai Motor Japan R&D Center Inc. (HMJ R&D)	R&D	“	100.00%	

Subsidiaries	Nature of the business	Location	Ownership percentage	Indirect ownership
Beijing Jingxian Motor Safeguard Service Co., Ltd. (BJMSS)	Sales	China	100.00%	
Beijing Jingxianronghua Motor Sale Co., Ltd.	"	"	100.00%	BJMSS 100.00%
Beijing Xinhuaixiaqiyuetong Motor Chain Co., Ltd.	"	"	100.00%	"
Hyundai Millennium (Beijing) Real Estate Development Co., Ltd.	Real estate development	"	99.00%	CMEs 99.00%
Rotem Equipments (Beijing) Co., Ltd.	Sales	"	100.00%	Hyundai Rotem 100.00%
KEFICO Automotive Systems (Beijing) Co., Ltd.	Manufacturing	"	100.00%	Hyundai KEFICO 100.00%
KEFICO VIETNAM COMPANY LIMITED	"	Vietnam	100.00%	"
Hyundai Motor Company Australia Pty Limited (HMCA)	Sales	Australia	100.00%	
Hyundai Motor Manufacturing Czech, s.r.o. (HMMC)	Manufacturing	Czech	100.00%	
Hyundai Motor Czech s.r.o (HMCZ)	Sales	"	100.00%	
Hyundai Motor Europe GmbH (HME)	Marketing and sales	Germany	100.00%	
Hyundai Motor Deutschland GmbH (HMD)	Sales	"	100.00%	
Hyundai Motor Europe Technical Center GmbH (HMETC)	R&D	"	100.00%	
Hyundai Motor Sport GmbH (HMSG)	Marketing	"	100.00%	HME 100.00%
Hyundai Capital Europe GmbH	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Motor Manufacturing Rus LLC (HMMR)	Manufacturing	Russia	70.00%	
Hyundai Motor Commonwealth of Independent States B.V (HMCIS B.V)	Holding company	Netherlands	100.00%	HMMR 1.40%
Hyundai Motor Commonwealth of Independent States (HMCIS)	Sales	Russia	100.00%	HMCIS B.V 100.00%
Hyundai Capital Services Limited Liability Company	Financing	"	100.00%	Hyundai Capital Europe 100.00%
Hyundai Assan Otomotiv Sanayi Ve Ticaret A.S. (HAOSVT)	Manufacturing	Turkey	89.29%	
Hyundai EURotem Demiryolu Araclarive Ticaret A.S.	"	"	50.50%	Hyundai Rotem 50.50%
Hyundai Motor UK Limited (HMUK)	Sales	UK	100.00%	
Hyundai Motor Company Italy S.r.l (HMCI)	"	Italy	100.00%	
Hyundai Motor Espana, S.L.U. (HMES)	"	Spain	100.00%	
Hyundai Motor France SAS (HMF)	"	France	100.00%	
Hyundai Motor Poland Sp. Zo.O (HMP)	"	Poland	100.00%	
Hyundai Motor Norway AS (HMN)	"	Norway	100.00%	
Hyundai Motor DE Mexico S DE RL DE CV (HMM)	"	Mexico	100.00%	HT 0.01%
Hyundai de Mexico, SA DE C.V., (HYMEX)	Manufacturing	"	99.99%	HT 99.99%
Hyundai Rio Vista, Inc.	Real estate development	USA	100.00%	HT 100.00%
Hyundai Motor Hungary (HMH)	Sales	Hungary	100.00%	
Hyundai Motor Brasil Montadora de Automoveis LTDA (HMB)	Manufacturing	Brazil	100.00%	
Hyundai Capital Brasil Servicos De Assistencia Financeira Ltda	Financing	"	100.00%	Hyundai Capital Services 100.00%
Hyundai Rotem Brasil Engineering Services LTD	Sales	"	100.00%	Hyundai Rotem 100.00%
China Millennium Corporations (CMEs)	Holding company	Cayman Islands	59.60%	
Macquarie Lion Private Equity Security Investment Trust Security No.45	Investment	Korea	100.00%	
Shinhan BNPP Private Corporate Security Investment Trust No.27	"	"	100.00%	

Subsidiaries	Nature of the business	Location	Ownership percentage	Indirect ownership
Miraeasset Triumph Private Equity Security Investment Trust No.13	"	Korea	100.00%	
KyoboAXA Private Tomorrow Securities Investment Trust No.12	"	"	100.00%	
Shinyoung Private Securities Investment Trust WB-1	"	"	100.00%	
Autopia Thirty-Sixth Asset Securitization Specialty Company (*)	Financing	"	0.90%	Hyundai Capital Services 0.90%
Autopia Forty-Third ~ Forty- Seventh Asset Securitization Specialty Company (*)	"	"	0.90%	"
Autopia Forty-Ninth ~ Fifty-Second Asset Securitization Specialty Company (*)	"	"	0.50%	Hyundai Capital Services 0.50%
Autopia Fifty-Fourth Asset Securitization Specialty Company (*)	"	"	0.50%	"
HB the Third Securitization Specialty Company (*)	"	"	0.90%	Hyundai Capital Services 0.90%
HB the Fourth Securitization Specialty Company (*)	"	"	0.31%	Hyundai Capital Services 0.31%
Privia the Second ~ Fourth Securitization Specialty Co., Ltd. (*)	"	"	0.90%	Hyundai Card 0.90%
Hyundai CHA Funding Corporation	"	USA	100.00%	HCA 100.00%
Hyundai Lease Titling Trust	"	"	100.00%	"
Hyundai HK Funding, LLC	"	"	100.00%	"
Hyundai HK Funding Two, LLC	"	"	100.00%	"
Hyundai ABS Funding Corporation	"	"	100.00%	"
HK Real Properties, LLC	"	"	100.00%	"
Hyundai Auto Lease Offering, LLC	"	"	100.00%	"
Hyundai HK Lease, LLC	"	"	100.00%	"
Hyundai Protection Plan, Inc.	Insurance	"	100.00%	"
Hyundai Protection Plan Florida, Inc.	"	"	100.00%	"
Hyundai Capital Insurance Services, LLC	"	"	100.00%	"
Hyundai Capital Insurance Company	"	"	100.00%	"

(*) The Group is considered to have substantial control over the entities by virtue of an agreement with other investors or relationship with structured entities.

(2) Condensed financial positions and results of operations of the Company's major consolidated subsidiaries as of and for the six months ended June 30, 2014, are as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit (loss) for the period
		(In millions of Korean Won)		
Hyundai Capital Services, Inc. (*)	₩ 22,098,239	₩ 18,788,187	₩ 1,564,664	₩ 85,149
Hyundai Card Co., Ltd. (*)	11,917,767	9,432,223	1,302,208	136,958
Hyundai Rotem Company (*)	4,536,042	2,720,400	1,458,189	37,215
Hyundai KEFICO Corporation (*)	975,572	528,336	868,446	39,394
HCA (*)	25,478,601	23,245,938	2,631,437	163,137
HMA	6,302,110	3,923,514	7,989,304	224,352
HMMC	2,966,703	1,497,908	2,903,850	263,811
HMMA	3,179,299	1,575,205	3,567,660	195,241
HMI (*)	2,006,411	1,002,468	2,223,728	80,322
HMMR	1,104,361	550,182	1,244,384	70,935
HME (*)	1,269,499	1,222,090	3,566,763	2,974
HMCIS	772,880	473,427	1,728,015	(18,681)
HAC (*)	888,303	508,206	1,517,945	(14,844)
HMCA	771,292	599,436	1,046,334	24,283

(*) Based on the subsidiary's consolidated financial statements.

Condensed financial positions and results of operations of the Company's major consolidated subsidiaries as of and for the six months ended June 30, 2013, were as follows:

Name of subsidiaries	Assets	Liabilities	Sales	Profit for the period
	(In millions of Korean Won)			
Hyundai Capital Services, Inc. (*)	₩ 21,829,728	₩ 18,595,930	₩ 1,835,470	₩ 248,153
Hyundai Card Co., Ltd. (*)	10,769,616	8,493,303	1,307,475	83,316
Hyundai Rotem Company (*)	4,307,166	3,059,024	1,474,012	64,828
Hyundai KEFICO Corporation (*)	862,732	493,400	842,371	47,889
HCA (*)	24,044,720	21,932,625	2,134,102	197,240
HMA	6,912,706	4,184,913	8,551,535	381,356
HMMC	3,019,018	1,568,890	2,777,163	213,708
HMMA	3,339,175	1,677,791	3,851,783	262,233
HMI (*)	2,426,802	1,365,960	2,571,038	108,878
HMMR	1,259,477	626,325	1,402,685	109,484
HME (*)	1,165,357	1,119,768	2,672,591	1,605
HMCIS	929,452	582,346	1,885,686	75,123
HAC (*)	1,060,271	652,309	1,726,941	28,690
HMCA	772,171	613,456	1,186,028	35,986

(*) Based on the subsidiary's consolidated financial statements.

- (3) The financial statements of all subsidiaries, which are used in the preparation of the consolidated financial statements, are prepared for the same reporting periods as the Company's.
- (4) Summarized cash flows, for the six months ended June 30, 2014, of non-wholly owned subsidiaries that have material non-controlling interests to the Group as of June 30, 2014, are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ 21,406	₩ (90,097)	₩ (229,324)
Cash flows from investing activities	(25,232)	(44,934)	(27,095)
Cash flows from financing activities	(130,005)	313,721	326,765
Effect of exchange rate changes on cash and cash equivalents	(30)	-	(702)
Net increase (decrease) in cash and cash equivalents	₩ (133,860)	₩ 178,690	₩ 69,643

Summarized cash flows, for the six months ended June 30, 2013, of non-wholly owned subsidiaries that had material non-controlling interests to the Group as of June 30, 2013, were as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
	(In millions of Korean Won)		
Cash flows from operating activities	₩ (53,338)	₩ 627,856	₩ (486,725)
Cash flows from investing activities	140,245	(15,819)	(69,540)
Cash flows from financing activities	(293,118)	(538,263)	554,347
Effect of exchange rate changes on cash and cash equivalents	1	-	(246)
Net increase (decrease) in cash and cash equivalents	₩ (206,210)	₩ 73,774	₩ (2,164)

- (5) Details, as of and for the six months ended June 30, 2014, of non-wholly owned subsidiaries of the Company that have material non-controlling interests as of June 30, 2014, are as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Ownership percentage of non-controlling interests	43.53%	63.04%	56.64%
Non-controlling interests	₩ 1,440,663	₩ 1,566,979	₩ 1,099,426
Profit attributable to non-controlling interests	37,070	86,343	16,807
Dividends paid to non-controlling interests	-	-	6,018

Details, as of and for the year ended December 31, 2013, of non-wholly owned subsidiaries of the Company that had material non-controlling interests as of December 31, 2013, were as follows:

Description	Hyundai Capital Services, Inc.	Hyundai Card Co., Ltd.	Hyundai Rotem Company
(In millions of Korean Won)			
Ownership percentage of non-controlling interests	43.53%	63.04%	56.64%
Non-controlling interests	₩ 1,415,812	₩ 1,491,715	₩ 1,088,548
Profit attributable to non-controlling interests	170,307	105,461	62,686
Dividends paid to non-controlling interests	78,365	-	155

- (6) Changes in consolidated subsidiaries

Subsidiaries newly included in and excluded from consolidation for the six months ended June 30, 2014, are as follows:

Changes	Name of subsidiaries	Description
Included	Hyundai Rotem Brasil Engineering Services LTD	Acquisition
"	Hyundai Capital Canada Inc. (HCCA)	"
"	KyoboAXA Private Tomorrow Securities Investment Trust No.12	"
"	Shinyoung Private Securities Investment Trust WB-1	"
"	Autopia Fifty-Fourth Asset Securitization Specialty Company	"
"	Privia the Fourth Securitization Specialty Co., Ltd.	"
Excluded	IBK Panorama Private Equity Security Investment Trust No.50	Liquidation
"	Woori Frontier Private Equity Security Investment Trust No.5	"
"	KTBS Safe Private Equity Security Investment Trust No.78	"
"	Autopia Fourty-Second Asset Securitization Specialty Company	"

- (7) Decrease in the Group's ownership interests in one of subsidiaries and the consequent effects on the equity attributable to the owners of the Company for the six months ended June 30, 2014, are as follows:

Description	HCA (*)
(In millions of Korean Won)	
Ownership percentage before transaction	85.00%
Ownership percentage after transaction	80.00%
Increase in paid-in capital	₩ 132,263
Changes in non-controlling interests	133,215
Changes in capital surplus	(952)

- (*) The ownership percentage of the Group decreased as a result of not participating in the paid-in capital increase that occurred during the six months ended June 30, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Korean Won and prepares its consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ("K-IFRS"), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Group's consolidated statements of financial position, income, comprehensive income, changes in equity or cash flows, is not presented in the accompanying consolidated financial statements.

(1) Basis of consolidated financial statements preparation

The Group's condensed consolidated financial statements for the six months ended June 30, 2014 and 2013, respectively, are prepared in accordance with K-IFRS 1034, *Interim Financial Reporting*. The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with K-IFRS.

The significant accounting policies used for the preparation of the interim consolidated financial statements are consistent with those applied to the annual consolidated financial statements for the year ended December 31, 2013, except for the adoption effect of the new and revised accounting standards and interpretations described below.

New and revised standards that have been applied from the year beginning on January 1, 2014, are as follows:

- K-IFRS 1032 (Amendments): '*Financial Instruments: Presentation*'

The amendments to K-IFRS 1032 clarify the existing application issue relating to the requirement for the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The Group's right to offset must not be conditional on the occurrence of future events but enforceable anytime during the contract periods, during the ordinary course of business with counterparty, in the event of default of counterparty and master netting agreement or in some forms of non-recourse debt.

- K-IFRS 1039 (Amendments): '*Financial Instruments: Recognition and Measurement*'

The amendments to K-IFRS 1039 allow the Group to use hedge accounting when, as a consequence of laws or regulations or the introduction of laws or regulations, the original counterparty to the hedging instrument is replaced by a central counterparty or an entity which is acting as counterparty in order to effect clearing by a central counterparty.

- K-IFRS interpretation 2121 (Enactment): '*Levies*'

The enactment to K-IFRS interpretation 2121 defines that the obligating event giving rise to the recognition of a liability to pay a levy is the activity that triggers the payment of the levy in accordance with the related legislation.

In addition, K-IFRS 1036, *Impairment of Assets*, had been amended to add clarifications about the disclosure requirement in relation to estimated recoverable amount for non-financial assets.

The effect of the above mentioned enactments and amendments are not significant on the Group's interim consolidated financial statements.

(2) Significant accounting judgements and key sources of estimation uncertainties

In the preparation of the Group's interim consolidated financial statements, management is required to apply accounting policies and make judgements, estimation and assumptions affecting the carrying amounts of assets and liabilities, income and expenses. The estimation and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimations. The management's significant judgements about the application of the Group's accounting policies and the main resources of the uncertainty are consistent with those of the annual consolidated financial statements for the year ended December 31, 2013.

3. TRADE NOTES AND ACCOUNTS RECEIVABLE:

(1) Trade notes and accounts receivable as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Trade notes and accounts receivable	₩ 3,600,050	₩ 51,888	₩ 3,531,279	₩ 47,969
Allowance for doubtful accounts	(47,329)	-	(45,934)	-
Present value discount accounts	-	(4,248)	-	(4,660)
	<u>₩ 3,552,721</u>	<u>₩ 47,640</u>	<u>₩ 3,485,345</u>	<u>₩ 43,309</u>

(2) Aging analysis of trade notes and accounts receivable

As of June 30, 2014 and December 31, 2013, total trade notes and accounts receivable that are past due, but not impaired, amount to ₩212,522 million and ₩310,984 million, respectively; of which ₩181,398 million and ₩264,159 million, respectively, are past due less than 90 days, but not impaired. As of June 30, 2014 and December 31, 2013, the impaired trade notes and accounts receivable amount to ₩47,329 million and ₩45,934 million, respectively.

(3) The changes in allowance for doubtful accounts for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
	(In millions of Korean Won)	
Beginning of the period	₩ 45,934	₩ 29,543
Impairment loss	2,170	5,820
Write-off	(57)	(160)
Effect of foreign exchange differences	(718)	725
End of the period	<u>₩ 47,329</u>	<u>₩ 35,928</u>

4. OTHER RECEIVABLES:

Other receivables as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accounts receivable – others	₩ 1,752,007	₩ 779,461	₩ 1,672,402	₩ 827,510
Due from customers for contract work	1,421,960	-	1,393,555	-
Lease and rental deposits	45,526	283,878	42,784	274,832
Deposits	6,893	21,798	13,699	23,154
Others	9,188	3,609	2,549	7,283
Allowance for doubtful accounts	(8,880)	-	(6,603)	-
Present value discount accounts	-	(3,823)	-	(4,940)
	<u>₩ 3,226,694</u>	<u>₩ 1,084,923</u>	<u>₩ 3,118,386</u>	<u>₩ 1,127,839</u>

5. OTHER FINANCIAL ASSETS:

(1) Other financial assets as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial assets at fair value through profit or loss ("FVTPL"):				
Held for trading non-derivative financial assets	₩ 559,026	₩ -	₩ 414,255	₩ -
Derivative assets	12,162	-	33,045	1,592
	571,188	-	447,300	1,592
Derivative assets that are effective hedging instruments	12,682	7,233	7,558	19,138
AFS financial assets	2,047	2,336,484	21,363	2,494,033
Loans	28,122	209,000	31,600	217,121
	₩ 614,039	₩ 2,552,717	₩ 507,821	₩ 2,731,884

(2) AFS financial assets that are measured at fair value as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014			December 31, 2013
	Acquisition cost	Valuation difference	Book value	Book value
(In millions of Korean Won)				
Debt instruments	₩ 134,224	₩ 3,372	₩ 137,596	₩ 124,240
Equity instruments	1,442,807	758,128	2,200,935	2,391,156
	₩ 1,577,031	₩ 761,500	₩ 2,338,531	₩ 2,515,396

(3) Equity instruments classified into AFS financial assets as of June 30, 2014 and December 31, 2013, consist of the following:

Name of the company	Ownership percentage	June 30, 2014			December 31, 2013
		Acquisition cost	Valuation difference	Book value	Book value
(In millions of Korean Won)					
Hyundai Steel Company	7.87	₩ 791,681	₩ (109,166)	₩ 682,515	₩ 791,681
Hyundai Glovis Co., Ltd.	4.88	210,688	282,750	493,438	422,947
Hyundai Heavy Industries Co., Ltd.	2.88	56,924	330,706	387,630	562,830
Korea Aerospace Industries, Co., Ltd.	10.00	151,086	153,036	304,122	282,678
Hyundai Oil Refinery Co., Ltd.	4.35	53,734	91,789	145,523	145,523
Hyundai Green Food Co., Ltd.	2.36	15,005	25,726	40,731	38,769
Hyundai Finance Corporation	9.29	9,888	526	10,414	10,666
Hyundai Development Company	0.60	9,025	5,443	14,468	10,440
Doosan Capital Co., Ltd.	7.14	10,000	348	10,348	10,348
Hyundai Merchant Marine Co., Ltd.	0.39	9,161	(2,813)	6,348	7,900
KT Corporation	0.09	8,655	(1,320)	7,335	7,575
NICE Holdings Co., Ltd.	1.30	3,491	2,679	6,170	5,801
Ubivelo Co., Ltd.	5.15	1,710	2,095	3,805	4,585
NICE Information Service Co., Ltd.	2.25	3,312	936	4,248	4,180
Hyundai Asan Corporation	1.88	22,500	(20,383)	2,117	2,117
Nesscap, Inc.	4.53	1,997	(937)	1,060	1,104
Others		83,950	(3,287)	80,663	82,012
		₩ 1,442,807	₩ 758,128	₩ 2,200,935	₩ 2,391,156

As of June 30, 2014, the valuation difference between the book value and the acquisition cost of AFS equity instruments includes the cumulative impairment loss of ₩25,368 million.

6. INVENTORIES:

Inventories as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Finished goods	₩ 4,302,656	₩ 3,771,488
Merchandise	101,325	105,385
Semi-finished goods	443,093	434,834
Work in progress	365,522	410,024
Raw materials	1,143,297	1,138,616
Supplies	222,769	204,657
Materials in transit	649,332	540,666
Others	438,135	467,446
	<u>₩ 7,666,129</u>	<u>₩ 7,073,116</u>

7. OTHER ASSETS:

Other assets as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
	(In millions of Korean Won)			
Accrued income	₩ 375,503	₩ 409	₩ 362,854	₩ 498
Advanced payments	668,158	-	700,542	-
Prepaid expenses	286,842	135,480	291,282	90,589
Prepaid value added tax and others	237,084	51,167	313,258	63,813
	<u>₩ 1,567,587</u>	<u>₩ 187,056</u>	<u>₩ 1,667,936</u>	<u>₩ 154,900</u>

8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE:

Non-current assets classified as held for sale as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Land	₩ 13,676	₩ 13,676
Buildings	8,671	8,671
Investments in associates	24,000	-
	<u>₩ 46,347</u>	<u>₩ 22,347</u>

During 2014, the Group has entered into contracts for disposal of other land, buildings and investments in associates, that have been classified as non-current assets held for sale, and the assets will be disposed within 12 months. No impairment loss on the non-current assets classified as held for sale is recognized for the six months ended June 30, 2014.

9. PROPERTY, PLANT AND EQUIPMENT:

The changes in property, plant and equipment ("PP&E") for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
	(In millions of Korean Won)	
Beginning of the period	₩ 21,462,587	₩ 20,739,858
Acquisitions	958,501	1,252,407
Disposals	(32,324)	(169,778)
Depreciation	(917,659)	(868,935)
Others (*)	(302,583)	126,419
End of the period	₩ 21,168,522	₩ 21,079,971

(*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

10. INVESTMENT PROPERTY:

(1) The changes in investment property for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
	(In millions of Korean Won)	
Beginning of the period	₩ 263,984	₩ 282,832
Transfers	65,153	423
Disposals	-	(582)
Depreciation	(6,692)	(5,825)
Effect of foreign exchange differences	(5,208)	5,432
End of the period	₩ 317,237	₩ 282,280

(2) Income and expenses related to investment property for the three months and six months ended June 30, 2014 and 2013, are as follows:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Rental income	₩ 9,216	₩ 20,591	₩ 8,042	₩ 17,344
Operating and maintenance expenses	3,564	7,336	3,516	6,680

11. INTANGIBLE ASSETS:

(1) The changes in intangible assets for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
	(In millions of Korean Won)	
Beginning of the period	₩ 3,129,090	₩ 2,883,218
Internal developments and separate acquisitions	432,000	364,277
Disposals	(5,124)	(2,851)
Amortization	(374,934)	(410,736)
Impairment loss	(4,703)	(16,340)
Others (*)	53,481	41,005
End of the period	₩ 3,229,810	₩ 2,858,573

(*) Others include the effect of foreign exchange differences and transfers from or to other accounts.

- (2) Research and development expenditures for the three months and six months ended June 30, 2014 and 2013, are as follows:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Development costs	₩ 182,126	₩ 325,871	₩ 164,208	₩ 286,164
Ordinary developments (manufacturing cost)	77,066	144,593	56,114	119,459
Research costs (administrative expenses)	179,761	351,411	166,282	303,580
	₩ 438,953	₩ 821,875	₩ 386,604	₩ 709,203

- (3) Impairment test of goodwill

The recoverable amount of the Group's cash-generating unit ("CGU") is being measured at its value in use based on cash flow projections of financial budgets for the next five years approved by management. Cash flows projection beyond the next five-year period is extrapolated by using the estimated growth rate, which does not exceed the long-term average growth rate of the region and industry to which the CGU belongs. The Group performs an impairment test of goodwill annually and each time there is any indication that the goodwill may be impaired.

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

- (1) Investments in joint ventures and associates as of June 30, 2014 and December 31, 2013, consist of the following:

Name of the company	Nature of the business	Location	June 30, 2014		December 31, 2013
			Ownership Percentage (%)	Book value (In millions of Korean Won)	Book value
Beijing-Hyundai Motor Company (BHMC) (*1)	Manufacturing	China	50.00	₩ 1,549,486	₩ 2,026,337
Hyundai Motor Group China, Ltd. (HMGC) (*1)	Investment	China	50.00	134,075	153,823
Sichuan Hyundai Motor Company (CHMC) (*1)	Manufacturing	China	50.00	140,637	132,014
Hyundai WIA Automotive Engine (Shandong) Company (WAE)	Manufacturing	China	22.00	134,692	129,783
Kia Motors Corporation	Manufacturing	Korea	33.88	7,198,842	6,748,127
Hyundai Engineering & Construction Co., Ltd.	Construction	Korea	20.95	3,094,770	3,050,804
Hyundai WIA Corporation	Manufacturing	Korea	26.79	649,371	600,284
Hyundai Powertech Co., Ltd.	Manufacturing	Korea	37.58	369,527	335,227
Hyundai Dymos Inc.	Manufacturing	Korea	47.27	282,442	270,535
Hyundai HYSCO Co., Ltd.	Manufacturing	Korea	29.37	249,608	236,732
HMC Investment Securities Co., Ltd.	Securities brokerage	Korea	27.49	225,743	217,218
Hyundai Commercial Inc.	Financing	Korea	50.00	192,601	125,806
Eukor Car Carriers Inc. (*2)	Transportation	Korea	12.00	145,933	148,866
Others (*3)				455,339	519,439
				₩ 14,823,066	₩ 14,694,995

- (*1) Each of the joint arrangements in which the Group retains joint control is structured through a separate entity and there are no contractual terms according to which the parties retain rights to the assets and obligations for the liabilities relating to the joint arrangement or other relevant facts and circumstances. As a result, the Group considers that the parties that retain joint control in the arrangement have rights to the net assets and classifies the joint arrangements as joint ventures.
- (*2) As the Group is considered to be able to exercise significant influence by representation on the board of directors of the investee and for other reasons, although the total ownership percentage is less than 20%, the investment is classified as an investment in associate.

(*3) As of June 30, 2014 and December 31, 2013, amongst Others, investments in Beijing Hyundai Qiche Financing Company, with a book value of ₩85,063 million and ₩88,760 million, respectively, had been categorized as a joint venture although the Group's total ownership percentage is 53.0%, because the Group does not have control over the entity by virtue of an agreement with the other investors.

(2) The changes in investments in joint ventures and associates for the six months ended June 30, 2014, are as follows:

Name of the company	Beginning of the period	Acquisitions / (disposals)	Share of profits for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 2,026,337	₩ -	₩ 479,361	₩ (815,497)	₩ (140,715)	₩ 1,549,486
HMGC	153,823	-	16,185	(25,590)	(10,343)	134,075
CHMC	132,014	13,023	4,846	-	(9,246)	140,637
WAE	129,783	-	13,603	-	(8,694)	134,692
Kia Motors Corporation	6,748,127	-	628,397	(96,123)	(81,559)	7,198,842
Hyundai Engineering & Construction Co., Ltd.	3,050,804	-	26,065	(11,664)	29,565	3,094,770
Hyundai WIA Corporation	600,284	-	60,724	(3,447)	(8,190)	649,371
Hyundai Powertech Co., Ltd.	335,227	-	35,829	-	(1,529)	369,527
Hyundai Dymos Inc.	270,535	-	14,719	-	(2,812)	282,442
Hyundai HYSCO Co., Ltd.	236,732	-	33,976	(2,010)	(19,090)	249,608
HMC Investment Securities Co., Ltd.	217,218	3,636	5,817	-	(928)	225,743
Hyundai Commercial Inc.	125,806	-	9,586	(5,650)	62,859	192,601
Eukor Car Carriers Inc.	148,866	-	10,028	(7,920)	(5,041)	145,933
Others	519,439	(10,254)	37,879	(25,042)	(66,683)	455,339
	<u>₩ 14,694,995</u>	<u>₩ 6,405</u>	<u>₩ 1,377,015</u>	<u>₩ (992,943)</u>	<u>₩ (262,406)</u>	<u>₩ 14,823,066</u>

(*) Others consist of changes in accumulated other comprehensive income, changes in ownership percentage, impairment loss on investments in associates and others.

The changes in investments in joint ventures and associates for the six months ended June 30, 2013, were as follows:

Name of the company	Beginning of the period	Acquisitions / (disposals)	Share of profits for the period	Dividends	Others (*)	End of the period
(In millions of Korean Won)						
BHMC	₩ 1,657,185	₩ -	₩ 489,016	₩ (622,500)	₩ 152,596	₩ 1,676,297
HMGC	103,450	17,432	12,020	-	12,586	145,488
CHMC	77,346	2,129	4	-	6,911	86,390
WAE	107,253	-	14,620	-	10,129	132,002
Kia Motors Corporation	5,638,238	-	649,019	(89,257)	27,314	6,225,314
Hyundai Engineering & Construction Co., Ltd.	3,023,813	-	31,296	(11,664)	(6,321)	3,037,124
Hyundai WIA Corporation	484,518	-	50,734	(3,447)	9,784	541,589
Hyundai Powertech Co., Ltd.	299,075	-	23,372	-	2,596	325,043
Hyundai Dymos Inc.	233,660	-	22,214	-	2,707	258,581
Hyundai HYSCO Co., Ltd.	615,271	-	43,120	(5,889)	4,962	657,464
HMC Investment Securities Co., Ltd.	217,187	-	2,501	(1,156)	(1,260)	217,272
Hyundai Commercial Inc.	121,597	-	7,408	-	(5,506)	123,499
Eukor Car Carriers Inc.	127,881	-	18,390	(8,044)	9,286	147,513
Others	411,257	3,404	49,479	(10,373)	17,028	470,795
	<u>₩ 13,117,731</u>	<u>₩ 22,965</u>	<u>₩ 1,413,193</u>	<u>₩ (752,330)</u>	<u>₩ 242,812</u>	<u>₩ 14,044,371</u>

(*) Others consist of changes in accumulated other comprehensive income, changes in ownership percentage and others.

- (3) Condensed financial information of the Group's major joint ventures and associates as of and for the six months ended June 30, 2014, is as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 5,241,208	₩ 2,510,994	₩ 4,521,408	₩ 82,717
HMGC	335,251	161,711	215,748	-
CHMC	281,488	468,912	281,446	187,680
WAE	681,930	734,367	197,322	605,105
Kia Motors Corporation	15,507,788	23,376,234	11,761,285	5,509,831
Hyundai Engineering & Construction Co., Ltd.	12,378,520	4,772,425	7,260,221	3,276,153
Hyundai WIA Corporation	3,033,302	2,182,964	1,559,370	1,162,751
Hyundai Powertech Co., Ltd.	813,574	1,220,845	629,702	396,350
Hyundai Dymos Inc.	970,575	788,816	571,189	582,500
Hyundai HYSCO Co., Ltd.	1,582,325	762,817	1,037,880	542,565
HMC Investment Securities Co., Ltd. (*)	7,162,686	-	6,487,269	-
Hyundai Commercial Inc.(*)	4,518,187	-	4,039,119	-
Eukor Car Carriers Inc.	474,735	2,262,654	264,070	1,259,392

Name of the company	Sales	Profit for the period from continuing operations	Other comprehensive Income (expenses)	Total comprehensive income
(In millions of Korean Won)				
BHMC	₩ 9,794,329	₩ 960,102	₩ -	₩ 960,102
HMGC	844,714	26,861	-	26,861
CHMC	198,168	9,693	-	9,693
WAE	828,031	63,538	-	63,538
Kia Motors Corporation	23,980,312	1,900,058	(258,458)	1,641,600
Hyundai Engineering & Construction Co., Ltd.	7,993,442	275,835	(64,489)	211,346
Hyundai WIA Corporation	3,839,870	220,417	(24,668)	195,749
Hyundai Powertech Co., Ltd.	1,700,252	89,386	(4,361)	85,025
Hyundai Dymos Inc.	1,296,615	29,396	(6,480)	22,916
Hyundai HYSCO Co., Ltd.	2,130,462	120,460	(51,717)	68,743
HMC Investment Securities Co., Ltd.	241,792	11,832	(3,411)	8,421
Hyundai Commercial Inc.	170,080	15,722	6,924	22,646
Eukor Car Carriers Inc.	1,279,580	86,328	(39,035)	47,293

- (*) Operating finance business of which total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

Condensed financial information of the Group's major joint ventures and associates as of and for the six months ended June 30, 2013, was as follows:

Name of the company	Current assets	Non-current assets	Current liabilities	Non-current liabilities
(In millions of Korean Won)				
BHMC	₩ 4,864,665	₩ 2,699,979	₩ 4,050,122	₩ 109,817
HMGC	443,017	65,453	191,397	-
CHMC	305,396	98,656	231,272	-
WAE	693,968	748,661	292,928	546,126
Kia Motors Corporation	13,928,161	21,850,208	11,976,967	5,159,901
Hyundai Engineering & Construction Co., Ltd.	10,505,936	3,083,922	6,397,744	2,245,026
Hyundai WIA Corporation	2,746,098	1,908,721	1,545,178	1,016,589
Hyundai Powertech Co., Ltd.	792,266	1,222,826	749,902	366,802
Hyundai Dymos Inc.	866,158	643,944	591,527	374,569
Hyundai HYSCO Co., Ltd.	2,733,064	2,915,102	2,239,579	1,408,511
HMC Investment Securities Co., Ltd. (*1,2)	5,552,140	-	4,877,453	-
Hyundai Commercial Inc. (*2)	4,160,540	-	3,815,632	-
Eukor Car Carriers Inc.	480,706	2,327,384	331,726	1,249,275
Name of the company	Sales	Profit for the period from continuing operations	Other comprehensive income (expenses)	Total comprehensive income
(In millions of Korean Won)				
BHMC	₩ 8,905,952	₩ 986,406	₩ -	₩ 986,406
HMGC	929,479	34,315	-	34,315
CHMC	259,355	2,611	-	2,611
WAE	774,248	65,481	-	65,481
Kia Motors Corporation	24,197,427	1,964,810	91,869	2,056,679
Hyundai Engineering & Construction Co., Ltd.	6,331,918	279,629	(26,945)	252,684
Hyundai WIA Corporation	3,626,861	192,268	31,530	223,798
Hyundai Powertech Co., Ltd.	1,564,627	70,849	6,365	77,214
Hyundai Dymos Inc.	1,055,462	39,380	8,870	48,250
Hyundai HYSCO Co., Ltd.	3,876,236	145,640	19,202	164,842
HMC Investment Securities Co., Ltd. (*1)	504,340	9,521	(5,312)	4,209
Hyundai Commercial Inc.	167,661	21,769	(8,499)	13,270
Eukor Car Carriers Inc.	1,300,958	150,122	81,575	231,697

(*1) Although the closing date of the fiscal year of HMC Investment Securities Co., Ltd. was March, 31, the financial statements, used for applying the equity method, had been prepared for the same reporting periods as the Company's.

(*2) Operating finance business of which total assets (liabilities) are included in current assets (liabilities) as the companies do not distinguish current and non-current portion in their separate financial statements.

- (4) Condensed additional financial information of the Group's major joint ventures as of and for the six months ended June 30, 2014, is as follows:

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 751,135	₩ -	₩ -	₩ 137,520	₩ 17,208	₩ 29,447	₩ 320,034
HMGC	99,241	-	-	934	541	1,517	8,685
CHMC	82,134	65,877	187,680	1,706	711	1,852	-

Condensed additional financial information of the Group's major joint ventures as of and for the six months ended June 30, 2013, was as follows:

Name of the company	Cash and cash equivalents	Current financial liabilities	Non-current financial liabilities	Depreciation and amortization	Interest income	Interest expenses	Income tax expense
(In millions of Korean Won)							
BHMC	₩ 436,960	₩ -	₩ -	₩ 132,101	₩ 12,017	₩ 28,433	₩ 328,802
HMGC	209,982	-	-	801	2,372	1,405	11,465
CHMC	132,178	-	-	613	1,088	-	-

- (5) The aggregate amounts of the Group's share of profit and comprehensive income of joint ventures and associates that are not individually material, for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30, 2014	Six months ended June 30, 2013
(In millions of Korean Won)		
Profit for the period	₩ 37,879	₩ 49,479
Other comprehensive income (expenses)	(15,646)	17,028
Total comprehensive income	₩ 22,233	₩ 66,507

- (6) Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of June 30, 2014, is as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized loss and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 1,574,039	₩ -	₩ (24,553)	₩ 1,549,486
HMGC	140,548	-	(6,473)	134,075
CHMC	140,637	-	-	140,637
WAE	134,692	-	-	134,692
Kia Motors Corporation	7,041,217	197,089	(39,464)	7,198,842
Hyundai Engineering & Construction Co., Ltd (*)	1,957,413	1,137,357	-	3,094,770
Hyundai WIA Corporation	652,167	-	(2,796)	649,371
Hyundai Powertech Co., Ltd.	378,906	-	(9,379)	369,527
Hyundai Dymos Inc.	284,129	-	(1,687)	282,442
Hyundai HYSCO Co., Ltd.	223,359	27,172	(923)	249,608
HMC Investment Securities Co., Ltd.	185,691	40,052	-	225,743
Hyundai Commercial Inc.	192,601	-	-	192,601
Eukor Car Carriers Inc.	145,671	-	262	145,933

- (*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date, is included in the amount of net assets.

Reconciliation of the Group's share of net assets of the Group's major joint ventures and associates to their carrying amounts as of December 31, 2013, was as follows:

Name of the company	Group's share of net assets	Goodwill	Unrealized loss and others	Carrying amounts
(In millions of Korean Won)				
BHMC	₩ 2,050,200	₩ -	₩ (23,863)	₩ 2,026,337
HMGC	163,074	-	(9,251)	153,823
CHMC	132,014	-	-	132,014
WAE	129,783	-	-	129,783
Kia Motors Corporation	6,605,359	197,089	(54,321)	6,748,127
Hyundai Engineering & Construction Co., Ltd (*)	1,913,447	1,137,357	-	3,050,804
Hyundai WIA Corporation	604,486	-	(4,202)	600,284
Hyundai Powertech Co., Ltd.	345,223	-	(9,996)	335,227
Hyundai Dymos Inc.	272,312	-	(1,777)	270,535
Hyundai HYSCO Co., Ltd.	210,104	27,172	(544)	236,732
HMC Investment Securities Co., Ltd.	177,166	40,052	-	217,218
Hyundai Commercial Inc.	125,806	-	-	125,806
Eukor Car Carriers Inc.	148,604	-	262	148,866

(*) The difference between the carrying amount and the fair value of the investee's identifiable assets and liabilities as of the acquisition date, was included in the amount of net assets.

(7) The market price of listed equity securities as of June 30, 2014, is as follows:

Name of the company	Price per share	Total number of shares	Market value
(In millions of Korean Won, except price per share)			
Kia Motors Corporation	₩ 56,600	137,318,251	₩ 7,772,213
Hyundai Engineering & Construction Co., Ltd.	57,600	23,327,400	1,343,658
Hyundai WIA Corporation	196,000	6,893,596	1,351,145
Hyundai HYSCO Co., Ltd.	67,500	6,698,537	452,151
HMC Investment Securities Co., Ltd.	10,200	8,065,595	82,269

13. FINANCIAL SERVICES RECEIVABLES:

(1) Financial services receivables as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
(In millions of Korean Won)		
Loans	₩ 29,016,194	₩ 29,078,336
Card receivables	10,001,176	9,806,136
Financial lease receivables	2,941,464	3,038,540
Others	13,832	11,348
	41,972,666	41,934,360
Allowance for doubtful accounts	(839,127)	(823,408)
Loan origination fee	(7,310)	(89,881)
Present value discount accounts	(8,001)	(7,464)
	₩ 41,118,228	₩ 41,013,607

(2) Aging analysis of financial services receivables

As of June 30, 2014 and December 31, 2013, total financial services receivables that are past due but not impaired are ₩1,713,038 million and ₩1,288,443 million, respectively; all of them are past due less than 90 days. As of June 30, 2014 and December 31, 2013, the impaired financial services receivables amount to ₩493,616 million and ₩530,638 million, respectively.

(3) The changes in allowance for doubtful accounts of financial services receivables for the three months and six months ended June 30, 2014 and 2013, are as follows:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Beginning of the period	₩ 835,838	₩ 823,408	₩ 780,936	₩ 749,166
Impairment loss	154,161	311,566	160,238	308,700
Write-off	(115,805)	(238,629)	(105,002)	(206,434)
Disposals and others	(26,053)	(50,534)	(49,625)	(72,190)
Effect of foreign exchange differences	(9,014)	(6,684)	6,090	13,395
End of the period	₩ 839,127	₩ 839,127	₩ 792,637	₩ 792,637

(4) Gross investments in financial lease and their present value of minimum lease receipts as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014		December 31, 2013	
	Gross investments in financial lease	Present value of minimum lease receipts	Gross investments in financial lease	Present value of minimum lease receipts
	(In millions of Korean Won)			
Not later than one year	₩ 1,372,240	₩ 1,185,971	₩ 1,453,668	₩ 1,257,942
Later than one year and not later than five years	1,909,244	1,750,580	1,944,394	1,776,643
Later than five years	352	350	172	171
	₩ 3,281,836	₩ 2,936,901	₩ 3,398,234	₩ 3,034,756

(5) Unearned interest income of financial lease as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Gross investments in financial lease	₩ 3,281,836	₩ 3,398,234
Net lease investments:		
Present value of minimum lease receipts	2,936,901	3,034,756
Present value of unguaranteed residual value	4,563	3,784
	2,941,464	3,038,540
Unearned interest income	₩ 340,372	₩ 359,694

14. OPERATING LEASE ASSETS:

(1) Operating lease assets as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Acquisition cost	₩ 12,549,948	₩ 12,030,614
Accumulated depreciation	(1,301,443)	(1,388,421)
Accumulated impairment loss	(65,336)	(77,317)
	<u>₩ 11,183,169</u>	<u>₩ 10,564,876</u>

(2) Future minimum lease receipts related to operating lease assets as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Not later than one year	₩ 2,111,588	₩ 2,018,610
Later than one year and not later than five years	2,349,486	2,270,798
Later than five years	<u>1</u>	<u>1</u>
	<u>₩ 4,461,075</u>	<u>₩ 4,289,409</u>

15. BORROWINGS AND DEBENTURES:

(1) Short-term borrowings as of June 30, 2014 and December 31, 2013, consist of the following:

Description	Lender	Annual interest rate	June 30, 2014	December 31, 2013
		June 30, 2014 (%)	June 30, 2014	December 31, 2013
			(In millions of Korean Won)	
Overdrafts	Citi Bank and others	0.40~3.53	₩ 210,872	₩ 211,603
General loans	Kookmin Bank and others	0.25~9.54	1,066,900	2,468,175
Loans on trade receivables collateral	Korea Exchange Bank and others	LIBOR+0.23~0.40	1,040,836	997,519
Banker's Usance	Kookmin Bank and others	LIBOR+0.31~0.40	487,581	439,579
Short-term debentures		2.71~2.75	169,644	-
Commercial paper	Shinhan Bank and others	0.18~3.61	1,699,753	747,375
Asset-backed securities	HSBC		-	428,547
			<u>₩ 4,675,586</u>	<u>₩ 5,292,798</u>

(2) Long-term debt as of June 30, 2014 and December 31, 2013, consists of the following:

Description	Lender	Annual interest rate	June 30, 2014	June 30, 2014	December 31, 2013
		(%)			
(In millions of Korean Won)					
General loans	Shinhan Bank and others	1.27~9.54	₩	3,068,081	₩ 3,127,981
Facility loan	Korea Development Bank and others	1.00~7.30		434,789	524,530
Commercial paper	Hana Daetoo Securities and others	3.12~3.17		93,000	233,000
Asset-backed securities	JP Morgan and others	0.46~0.66		2,331,758	3,535,460
Others	Woori Bank and others	0.10~2.00		234,883	238,899
				6,162,511	7,659,870
Less: present value discounts				127,655	134,025
Less: current maturities				992,355	2,859,815
			₩	5,042,501	₩ 4,666,030

(3) Debentures as of June 30, 2014 and December 31, 2013, consist of the following:

Description	Latest maturity date	Annual interest rate	June 30, 2014	June 30, 2014	December 31, 2013
		(%)			
(In millions of Korean Won)					
Guaranteed public debentures	June 8, 2017	3.75~4.50	₩	1,518,961	₩ 1,583,399
Guaranteed private debentures	April 25, 2015	5.68		76,080	79,148
Non-guaranteed public debentures	April 29, 2021	2.61~7.20		20,389,448	20,298,628
Non-guaranteed private debentures	February 6, 2019	1.45~3.63		3,818,374	2,383,997
Asset-backed securities	July 15, 2020	0.20~6.52		12,353,766	10,891,176
				38,156,629	35,236,348
Less: discount on debentures				94,502	88,129
Less: current maturities				6,410,450	5,825,439
			₩	31,651,677	₩ 29,322,780

16. PROVISIONS:

The changes in provisions for the six months ended June 30, 2014, are as follows:

Description	Warranty		Other long-term employee benefits		Others	
	(In millions of Korean Won)					
Beginning of the period	₩	5,871,332	₩	624,836	₩	409,751
Charged		368,537		32,939		111,954
Utilized		(513,040)		(32,104)		(70,020)
Amortization of present value discounts		74,121		-		1,709
Changes in expected reimbursements by third parties		(60,476)		-		-
Effect of foreign exchange differences		(51,942)		(22)		(9,054)
End of the period	₩	5,688,532	₩	625,649	₩	444,340

The changes in provisions for the six months ended June 30, 2013, were as follows:

Description	Warranty	Other long-term employee benefits	Others
(In millions of Korean Won)			
Beginning of the period	₩ 5,908,719	₩ 609,589	₩ 490,450
Charged	692,411	32,552	74,066
Utilized	(500,895)	(26,179)	(12,559)
Amortization of present value discounts	66,443	-	2,268
Changes in expected reimbursements by third parties	41,270	-	-
Effect of foreign exchange differences	63,501	4	18,495
End of the period	₩ 6,271,449	₩ 615,966	₩ 572,720

17. OTHER FINANCIAL LIABILITIES:

Other financial liabilities as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Financial liabilities at FVTPL	₩ 5	₩ 2,938	₩ 2	₩ 3,061
Derivative liabilities that are effective hedging instruments	240,821	441,088	134,974	426,434
Financial lease liabilities	8,838	5,340	9,093	10,618
	₩ 249,664	₩ 449,366	₩ 144,069	₩ 440,113

18. OTHER LIABILITIES:

Other liabilities as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014		December 31, 2013	
	Current	Non-current	Current	Non-current
(In millions of Korean Won)				
Advance received	₩ 452,221	₩ 98,805	₩ 250,886	₩ 48,426
Withholdings	1,065,363	479,689	1,105,380	491,180
Accrued expenses	2,761,020	-	1,663,951	-
Unearned income	420,555	521,969	442,495	458,707
Accrued dividends	73	-	68	-
Due to customers for contract work	389,288	-	445,292	-
Others	151,710	664,579	91,042	611,168
	₩ 5,240,230	₩ 1,765,042	₩ 3,999,114	₩ 1,609,481

19. FINANCIAL INSTRUMENTS:

(1) Categories of financial assets as of June 30, 2014, consist of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)						
Cash and cash equivalents	₩ -	₩ 7,237,798	₩ -	-	₩ 7,237,798	₩ 7,237,798
Short-term and long-term financial instruments	-	17,991,393	-	-	17,991,393	17,991,393
Trade notes and accounts receivable	-	3,600,361	-	-	3,600,361	3,600,361
Other receivables	-	2,886,048	-	-	2,886,048	2,886,048
Other financial assets	571,188	237,122	2,338,531	19,915	3,166,756	3,166,756
Other assets	-	375,912	-	-	375,912	375,912
Financial services receivables	-	41,118,228	-	-	41,118,228	41,715,443
	<u>₩ 571,188</u>	<u>₩ 73,446,862</u>	<u>₩ 2,338,531</u>	<u>₩ 19,915</u>	<u>₩ 76,376,496</u>	<u>₩ 76,973,711</u>

Categories of financial assets as of December 31, 2013, consisted of the following:

Description	Financial assets at FVTPL	Loans and receivables	AFS financial assets	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)						
Cash and cash equivalents	₩ -	₩ 6,872,430	₩ -	₩ -	₩ 6,872,430	₩ 6,872,430
Short-term and long-term financial instruments	-	14,910,783	-	-	14,910,783	14,910,783
Trade notes and accounts receivable	-	3,528,654	-	-	3,528,654	3,528,654
Other receivables	-	2,845,387	-	-	2,845,387	2,845,387
Other financial assets	448,892	248,721	2,515,396	26,696	3,239,705	3,239,705
Other assets	-	363,352	-	-	363,352	363,352
Financial services receivables	-	41,013,607	-	-	41,013,607	41,566,247
	<u>₩ 448,892</u>	<u>₩ 69,782,934</u>	<u>₩ 2,515,396</u>	<u>₩ 26,696</u>	<u>₩ 72,773,918</u>	<u>₩ 73,326,558</u>

(2) Categories of financial liabilities as of June 30, 2014, consist of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,822,194	₩ -	₩ 6,822,194	₩ 6,822,194
Other payables	-	3,584,840	-	3,584,840	3,584,840
Borrowings and debentures	-	48,772,569	-	48,772,569	49,591,456
Other financial liabilities	2,943	14,178	681,909	699,030	699,030
Other liabilities	-	2,761,093	-	2,761,093	2,761,093
	<u>₩ 2,943</u>	<u>₩ 61,954,874</u>	<u>₩ 681,909</u>	<u>₩ 62,639,726</u>	<u>₩ 63,458,613</u>

Categories of financial liabilities as of December 31, 2013, consisted of the following:

Description	Financial liabilities at FVTPL	Financial liabilities carried at amortized cost	Derivatives designated as hedging instruments	Book value	Fair value
(In millions of Korean Won)					
Trade notes and accounts payable	₩ -	₩ 6,722,740	₩ -	₩ 6,722,740	₩ 6,722,740
Other payables	-	4,703,454	-	4,703,454	4,703,454
Borrowings and debentures	-	47,966,862	-	47,966,862	48,636,232
Other financial liabilities	3,063	19,711	561,408	584,182	584,182
Other liabilities	-	1,664,019	-	1,664,019	1,664,019
	<u>₩ 3,063</u>	<u>₩ 61,076,786</u>	<u>₩ 561,408</u>	<u>₩ 61,641,257</u>	<u>₩ 62,310,627</u>

(3) Fair value estimation

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3, based on the degree to which the fair value is observable, as described below:

- Level 1 : Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 : Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 : Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements of financial instruments by fair-value hierarchy levels as of June 30, 2014, are as follows:

Description	June 30, 2014			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial assets:				
Financial assets at FVTPL	₩ 85,926	₩ 485,262	₩ -	₩ 571,188
Derivatives designated as hedging instruments	-	19,915	-	19,915
AFS financial assets	1,981,609	110,108	246,814	2,338,531
	<u>₩ 2,067,535</u>	<u>₩ 615,285</u>	<u>₩ 246,814</u>	<u>₩ 2,929,634</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 2,943	₩ -	₩ 2,943
Derivatives designated as hedging instruments	-	681,909	-	681,909
	<u>₩ -</u>	<u>₩ 684,852</u>	<u>₩ -</u>	<u>₩ 684,852</u>

Fair value measurements of financial instruments by fair-value hierarchy levels as of December 31, 2013, were as follows:

Description	December 31, 2013			
	Level 1	Level 2	Level 3	Total
(In millions of Korean Won)				
Financial assets:				
Financial assets at FVTPL	₩ 38,927	₩ 409,965	₩ -	₩ 448,892
Derivatives designated as hedging instruments	-	26,696	-	26,696
AFS financial assets	2,187,434	98,620	229,342	2,515,396
	<u>₩ 2,226,361</u>	<u>₩ 535,281</u>	<u>₩ 229,342</u>	<u>₩ 2,990,984</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 3,063	₩ -	₩ 3,063
Derivatives designated as hedging instruments	-	561,408	-	561,408
	<u>₩ -</u>	<u>₩ 564,471</u>	<u>₩ -</u>	<u>₩ 564,471</u>

The changes in financial instruments classified as Level 3 for the six months ended June 30, 2014, are as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfers	End of the period
	(In millions of Korean Won)					
AFS financial assets	₩ 229,342	₩ 2,037	₩ (85)	₩ 315	₩ 15,205	₩ 246,814

The changes in financial instruments classified as Level 3 for the six months ended June 30, 2013, were as follows:

Description	Beginning of the period	Purchases	Disposals	Valuation	Transfers	End of the period
	(In millions of Korean Won)					
AFS financial assets	₩ 264,103	₩ 983	₩ (284)	₩ (512)	₩ -	₩ 264,290

(4) Interest income, dividend income and interest expenses by categories of financial instruments for the six months ended June 30, 2014 and 2013, consist of the following:

Description	Six months ended June 30,					
	2014			2013		
	Interest income	Dividend income	Interest expenses	Interest income	Dividend Income	Interest expenses
(In millions of Korean Won)						
Non-financial services:						
Loans and receivables	₩ 307,692	₩ -	₩ -	₩ 277,425	₩ -	₩ -
AFS financial assets	645	14,620	-	323	11,254	-
Financial liabilities carried at amortized cost	-	-	106,102	-	-	128,045
	<u>₩ 308,337</u>	<u>₩ 14,620</u>	<u>₩ 106,102</u>	<u>₩ 277,748</u>	<u>₩ 11,254</u>	<u>₩ 128,045</u>
Financial services:						
Loans and receivables	₩ 1,246,038	₩ -	₩ -	₩ 1,328,110	₩ -	₩ -
Financial assets at FVTPL	4,386	-	-	922	-	-
AFS financial assets	596	-	-	-	-	-
Financial liabilities carried at amortized cost	-	-	678,299	-	-	644,054
	<u>₩ 1,251,020</u>	<u>₩ -</u>	<u>₩ 678,299</u>	<u>₩ 1,329,032</u>	<u>₩ -</u>	<u>₩ 644,054</u>

- (5) Financial assets and liabilities subject to offsetting, financial instruments subject to an enforceable master netting arrangement or similar agreement as of June 30, 2014, consist of the following:

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - Financial instruments	Related amounts not set off in the statement of financial position - Collateral received (pledged)	Net amounts
(In millions of Korean Won)						
Financial assets:						
Trade notes and accounts receivable	₩ 3,702,864	₩ 102,503	₩ 3,600,361	₩ -	₩ -	₩ 3,600,361
Other receivables	3,107,227	221,179	2,886,048	-	-	2,886,048
Financial assets at FVTPL (*)	12,162	-	12,162	-	-	12,162
Derivative assets that are effective hedging instruments	19,915	-	19,915	7,686	-	12,229
	<u>₩ 6,842,168</u>	<u>₩ 323,682</u>	<u>₩ 6,518,486</u>	<u>₩ 7,686</u>	<u>₩ -</u>	<u>₩ 6,510,800</u>
Financial liabilities:						
Trade notes and accounts payable	₩ 7,042,992	₩ 220,798	₩ 6,822,194	₩ -	₩ -	₩ 6,822,194
Other payables	3,687,724	102,884	3,584,840	-	-	3,584,840
Financial liabilities at FVTPL (*)	2,943	-	2,943	-	-	2,943
Derivative liabilities that are effective hedging instruments	681,909	-	681,909	7,686	-	674,223
	<u>₩ 11,415,568</u>	<u>₩ 323,682</u>	<u>₩ 11,091,886</u>	<u>₩ 7,686</u>	<u>₩ -</u>	<u>₩ 11,084,200</u>

- (*) There are no derivative assets and liabilities that can be offset as of June 30, 2014. Therefore, derivative assets and liabilities do not meet the criteria for offsetting in K-IFRS 1032, but the Group has a right of offsetting them in the event of default, insolvency or bankruptcy of the counterparty.

Financial assets and liabilities subject to offsetting, financial instruments subject to an enforceable master netting arrangement or similar agreement as of December 31, 2013, consisted of the following:

Description	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the consolidated statement of financial position	Net amounts of financial assets and liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position - Financial instruments	Related amounts not set off in the statement of financial position - Collateral received (pledged)	Net amounts
(In millions of Korean Won)						
Financial assets:						
Trade notes and accounts receivable	₩ 3,590,967	₩ 62,313	₩ 3,528,654	₩ -	₩ -	₩ 3,528,654
Other receivables	3,160,005	314,618	2,845,387	-	-	2,845,387
Financial assets at FVTPL (*)	34,637	-	34,637	-	-	34,637
Derivative assets that are effective hedging instruments	26,696	-	26,696	24,438	-	2,258
	<u>₩ 6,812,305</u>	<u>₩ 376,931</u>	<u>₩ 6,435,374</u>	<u>₩ 24,438</u>	<u>₩ -</u>	<u>₩ 6,410,936</u>
Financial liabilities:						
Trade notes and accounts payable	₩ 6,972,764	₩ 250,024	₩ 6,722,740	₩ -	₩ -	₩ 6,722,740
Other payables	4,830,361	126,907	4,703,454	-	-	4,703,454
Financial liabilities at FVTPL (*)	3,063	-	3,063	-	-	3,063
Derivative liabilities that are effective hedging instruments	561,408	-	561,408	24,438	-	536,970
	<u>₩ 12,367,596</u>	<u>₩ 376,931</u>	<u>₩ 11,990,665</u>	<u>₩ 24,438</u>	<u>₩ -</u>	<u>₩ 11,966,227</u>

- (*) There were no derivative assets and liabilities that could have been offset as of December 31, 2013. Therefore, the derivative assets and liabilities did not meet the criteria for offsetting in K-IFRS 1032, but the Group had a right of offsetting them in the event of default, insolvency or bankruptcy of the counterparty.

- (6) The commission income (financial services revenue) arising from financial assets or liabilities other than financial assets or liabilities at FVTPL for the six months ended June 30, 2014 and 2013, are ₩816,888 million and ₩800,271 million, respectively. In addition, the fee expenses (cost of sales from financial services) occurring from financial assets or liabilities other than financial assets or liabilities at FVTPL for the six months ended June 30, 2014 and 2013, are ₩385,794 million and ₩465,730 million, respectively.
- (7) The Group recognizes transfers between levels of the fair-value hierarchy at the date of the event or change in circumstances that caused the transfer. There are no significant transfers between Level 1 and Level 2 for the six months ended June 30, 2014.
- (8) Descriptions of the valuation techniques and the inputs used in the fair value measurements categorized within Level 2 and Level 3 of the fair-value hierarchy are as follows:

- Currency forwards and options

Fair value of currency forwards and options is measured based on forward exchange rate quoted in the current market at the end of the reporting period, which has the same remaining period of derivatives to be measured. If the forward exchange rate, which has the same remaining period of currency forward and option, is not quoted in the current market, fair value is measured using estimates of similar period of forward exchange rate by applying interpolation method with quoted forward exchange rates.

As the inputs used to measure fair value of currency forwards and options are supported by observable market data, such as forward exchange rates, the Group classifies the estimates of fair value measurements of the currency forwards and options as Level 2 of the fair-value hierarchy.

- Debt instruments including corporate bonds

Fair value of debt instruments including corporate bonds is measured applying discounted cash flow method. The rate used to discount cash flows is determined based on swap rate and credit spreads of debt instruments, which have the similar credit rating and period quoted in the current market with those of debt instruments including corporate bonds that should be measured. The Group classifies fair value measurements of debt instruments including corporate bonds as Level 2 of the fair-value hierarchy since the rate, which has significant effects on fair value of debt instruments including corporate bonds, is based on observable market data.

- Unlisted equity securities

Fair value of unlisted equity securities is measured using discounted cash flow projection, and certain assumptions not based on observable market prices or rate, such as sales growth rate, pre-tax operating income ratio and discount rate based on business plan and circumstance of industry are used to estimate the future cash flow. The discount rate used to discount the future cash flows, is calculated by applying the Capital Asset Pricing Model, using the data of similar listed companies. The Group determines that the effect of estimation and assumptions referred above affecting fair value of unlisted equity securities is significant and classifies fair value measurements of unlisted securities as Level 3 of the fair-value hierarchy.

- (9) The quantitative information about significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair-value hierarchy and the description of relationships of significant unobservable inputs to the fair value are as follows:

Description	Fair value at June 30, 2014 (In millions of Korean Won)	Valuation Techniques	Unobservable inputs	Description of relationship
Unlisted equity securities	₩ 246,814	Discounted cash flow	Sales growth rate Pre-tax operating income ratio Discount rate	If the sales growth rate and the pre-tax operating income ratio rise or the discount rate declines, the fair value increases.

The Group believes that there have been no significant changes in the fair value of financial instruments categorized within Level 3 fair value measurements of the fair value hierarchy since December 31, 2013.

20. CAPITAL STOCK:

The Company's number of shares authorized is 600,000,000 shares. Common stock and preferred stock as of June 30, 2014 and December 31, 2013, consist of the following:

(1) Common stock

Description	June 30, 2014 (In millions of Korean Won)	December 31, 2013 (In millions of Korean Won, except par value)
Issued	220,276,479 shares	220,276,479 shares
Par value	₩ 5,000	₩ 5,000
Capital stock	1,157,982	1,157,982

The Company completed stock retirement of 10,000,000 common shares and 1,320,000 common shares as of March 5, 2001 and May 4, 2004, respectively. Due to these stock retirements, the total face value of outstanding stock differs from the capital stock amount.

(2) Preferred stock

Description	Par value	Issued	Korean Won (In millions of Korean Won)	Dividend rate
1 st preferred stock	₩ 5,000	25,109,982 shares	₩ 125,550	Dividend rate of common stock + 1%
2 nd preferred stock	"	37,613,865 shares	193,069	Dividend rate of common stock + 2%
3 rd preferred stock	"	2,478,299 shares	12,392	Dividend rate of common stock + 1%
Total		65,202,146 shares	₩ 331,011	

As of March 5, 2001, the Company retired 1,000,000 second preferred shares. Due to the stock retirement, the total face value of outstanding stock differs from the capital stock amount. The preferred shares are non-cumulative, participating and non-voting.

21. CAPITAL SURPLUS:

Capital surplus as of June 30, 2014 and December 31, 2013, consists of the following:

Description	June 30, 2014 (In millions of Korean Won)	December 31, 2013 (In millions of Korean Won)
Stock paid-in capital in excess of par value	₩ 3,321,334	₩ 3,321,334
Others	808,382	809,334
	₩ 4,129,716	₩ 4,130,668

22. OTHER CAPITAL ITEMS:

Other capital items consist of treasury stocks purchased for the stabilization of stock price. Number of treasury stocks as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014	December 31, 2013
	(Number of shares)	
Common stock	11,006,710	11,006,710
1 st preferred stock	1,950,960	1,950,960
2 nd preferred stock	1,000,000	1,000,000

23. ACCUMULATED OTHER COMPREHENSIVE INCOME:

Accumulated other comprehensive income as of June 30, 2014 and December 31, 2013, consists of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Gain on valuation of AFS financial assets	₩ 679,244	₩ 737,234
Loss on valuation of AFS financial assets	(86,591)	(2,850)
Gain on valuation of cash flow hedge derivatives	125	2,589
Loss on valuation of cash flow hedge derivatives	(12,899)	(1,382)
Gain on share of the other comprehensive income of equity-accounted investees	69,422	59,833
Loss on share of the other comprehensive income of equity-accounted investees	(559,230)	(386,557)
Loss on foreign operations translation, net	(1,609,157)	(1,242,903)
	<u>₩ (1,519,086)</u>	<u>₩ (834,036)</u>

24. RETAINED EARNINGS:

Retained earnings as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Legal reserve (*)	₩ 529,148	₩ 475,707
Discretionary reserve	35,826,647	31,021,647
Unappropriated	15,498,444	16,776,885
	<u>₩ 51,854,239</u>	<u>₩ 48,274,239</u>

(*) The Commercial Code of the Republic of Korea requires the Company to appropriate as a legal reserve, a minimum of 10% of annual cash dividends declared, until such reserve equals 50% of its capital stock issued. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

Appraisal gains, amounting to ₩1,852,871 million, derived from asset revaluation by the Asset Revaluation Law of Korea are included in retained earnings. It may be only transferred to capital stock or used to reduce accumulated deficit, if any.

25. SALES:

Sales for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Sales of goods	₩ 20,231,381	₩ 39,361,811	₩ 20,518,792	₩ 39,386,267
Rendering of services	304,145	606,744	338,672	655,363
Royalties	45,167	103,066	54,176	112,958
Financial services revenue	2,098,636	4,195,889	2,223,813	4,308,350
Others	73,279	134,139	47,992	87,566
	<u>₩ 22,752,608</u>	<u>₩ 44,401,649</u>	<u>₩ 23,183,445</u>	<u>₩ 44,550,504</u>

26. SELLING AND ADMINISTRATIVE EXPENSES:

Selling and administrative expenses for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Selling expenses:				
Export expenses	₩ 245,172	₩ 498,513	₩ 241,600	₩ 483,083
Overseas market expenses	123,844	214,417	47,928	123,106
Advertisements and sales promotion	533,339	1,020,790	530,760	1,033,470
Sales commissions	161,260	304,750	158,818	303,142
Expenses for warranties	129,175	461,558	383,903	808,211
Transportation expenses	79,290	150,116	79,525	173,851
	<u>1,272,080</u>	<u>2,650,144</u>	<u>1,442,534</u>	<u>2,924,863</u>
Administrative expenses:				
Payroll	590,118	1,161,362	582,715	1,122,650
Post-employment benefits	36,217	72,660	39,923	79,695
Welfare expenses	88,671	183,162	88,148	176,285
Service charges	305,111	585,182	279,978	525,101
Research	179,761	351,411	166,282	303,580
Others	282,737	590,318	312,550	615,734
	<u>1,482,615</u>	<u>2,944,095</u>	<u>1,469,596</u>	<u>2,823,045</u>
	<u>₩ 2,754,695</u>	<u>₩ 5,594,239</u>	<u>₩ 2,912,130</u>	<u>₩ 5,747,908</u>

27. GAIN ON INVESTMENTS IN JOINT VENTURES AND ASSOCIATES:

Gain on investments in joint ventures and associates for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won)				
Gain on share of earning of equity-accounted investees, net	₩ 700,794	₩ 1,377,015	₩ 810,800	₩ 1,413,193
Gain on disposals of investments in associates, net	1,467	1,467	-	-
Impairment loss on investments in associates, net	-	(27,688)	-	-
	<u>₩ 702,261</u>	<u>₩ 1,350,794</u>	<u>₩ 810,800</u>	<u>₩ 1,413,193</u>

28. FINANCE INCOME AND EXPENSES:

(1) Finance income for the three months and six months ended June 30, 2014 and 2013, consists of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won)				
Interest income	₩ 164,731	₩ 313,055	₩ 141,225	₩ 278,670
Gain on foreign exchange transactions	13,251	17,510	14,469	27,828
Gain on foreign currency translation	45,988	55,697	11,516	25,907
Dividend income	28	14,620	156	11,254
Gain on valuation of financial instruments at FVTPL	2,819	4,522	52	52
Gain on disposals of financial instruments at FVTPL	1,883	3,538	105	107
Gain on valuation of derivatives	20,340	21,697	432	9,847
Others	600	1,628	939	2,171
	<u>₩ 249,640</u>	<u>₩ 432,267</u>	<u>₩ 168,894</u>	<u>₩ 355,836</u>

(2) Finance expenses for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won)				
Interest expenses	₩ 79,142	₩ 161,142	₩ 80,640	₩ 168,100
Loss on foreign exchange transactions	22,679	28,573	28,424	44,064
Loss on foreign currency translation	32,369	57,983	45,378	72,250
Loss on disposals of trade notes and accounts receivable	726	1,500	2,056	5,318
Loss on valuation of financial instruments at FVTPL	1,136	1,842	324	324
Loss on disposals of financial instruments at FVTPL	2,519	3,910	-	-
Loss on valuation of derivatives	-	-	24,558	17,436
Others	2	396	709	709
	<u>₩ 138,573</u>	<u>₩ 255,526</u>	<u>₩ 182,089</u>	<u>₩ 308,201</u>

29. OTHER INCOME AND EXPENSES:

(1) Other income for the three months and six months ended June 30, 2014 and 2013, consists of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Gain on foreign exchange transactions	₩ 108,286	₩ 143,268	₩ 124,827	₩ 210,690
Gain on foreign currency translation	74,379	112,578	61,850	148,145
Gain on disposals of PP&E	2,113	8,352	8,148	96,304
Gain on disposals of intangible assets	-	1,566	50	9,234
Commission income	10,892	24,953	6,876	19,390
Rental income	18,157	38,214	23,486	47,603
Others	132,370	220,810	100,279	206,085
	₩ 346,197	₩ 549,741	₩ 325,516	₩ 737,451

(2) Other expenses for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Loss on foreign exchange transaction	₩ 150,691	₩ 203,353	₩ 113,503	₩ 176,946
Loss on foreign currency translation	51,104	82,891	121,693	195,279
Loss on disposals of PP&E	13,069	20,133	10,980	16,267
Impairment loss on intangible assets	4,723	4,735	7,474	16,340
Donations	20,113	31,300	19,625	24,499
Others	80,601	140,870	61,108	104,619
	₩ 320,301	₩ 483,282	₩ 334,383	₩ 533,950

30. EXPENSES BY NATURE:

Expenses by nature for the three months and six months ended June 30, 2014 and 2013, consist of the following:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
	(In millions of Korean Won)			
Changes in inventories	₩ 150,822	₩ (494,925)	₩ 145,827	₩ 26,638
Raw materials and merchandise used	12,652,404	24,910,470	11,978,109	23,580,785
Employee benefits	2,121,027	4,229,301	2,029,435	3,993,013
Depreciation	459,531	924,351	442,845	874,760
Amortization	180,267	374,934	206,308	410,736
Others	5,421,643	10,915,193	6,308,819	11,923,496
Total (*)	₩ 20,985,694	₩ 40,859,324	₩ 21,111,343	₩ 40,809,428

(*) Sum of cost of sales, selling and administrative expenses and other expenses in the consolidated statements of income.

31. EARNINGS PER COMMON SHARE:

Basic earnings per common share are computed by dividing profit available to common shares by the weighted-average number of common shares outstanding during the period. The Group did not compute diluted earnings per common share for the three months and six months ended June 30, 2014 and 2013, since there were no dilutive items during the periods.

Basic earnings per common share for the three months and six months ended June 30, 2014 and 2013, are computed as follows:

Description	2014		2013	
	Three months ended June 30,	Six months ended June 30,	Three months ended June 30,	Six months ended June 30,
(In millions of Korean Won, except per share amounts)				
Profit attributable to the owners of the Company	₩ 2,244,624	₩ 4,173,329	₩ 2,400,887	₩ 4,346,152
Profit available to preferred stock	(515,574)	(958,719)	(551,401)	(998,341)
Profit available to common shares	1,729,050	3,214,610	1,849,486	3,347,811
Weighted-average number of common shares outstanding	209,269,769 shares	209,269,769 shares	209,269,769 shares	209,269,769 shares
Basic earnings per common share	₩ 8,262	₩ 15,361	₩ 8,838	₩ 15,998

32. INCOME TAX EXPENSE:

Income tax expense is computed by adjusting from income tax currently payable to adjustments recognized in the current period in relation to prior periods, changes in deferred taxes due to temporary differences, income tax expense in relation to items not recognized as profit or loss and others. The average effective tax rates (income tax expense divided by income before income tax) for the six months ended June 30, 2014 and 2013, are 22.1% and 22.4%, respectively.

33. RETIREMENT BENEFIT PLAN:

- (1) Expenses recognized in relation to defined contribution plans for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
(In millions of Korean Won)		
Paid in cash	₩ 2,806	₩ 2,906
Recognized liability	395	674
	₩ 3,201	₩ 3,580

- (2) The significant actuarial assumptions used by the Group as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014	December 31, 2013
Discount rate	4.46%	4.45%
Rate of expected future salary increase	5.04%	4.97%

- (3) The amounts recognized in the consolidated statements of financial position related to defined benefit plans as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Present value of defined benefit obligations	₩ 3,356,244	₩ 3,131,966
Fair value of plan assets	(2,741,771)	(2,749,943)
	₩ 614,473	₩ 382,023
Net defined benefit liabilities	618,082	389,306
Net defined benefit assets	(3,609)	(7,283)

- (4) Changes in net defined benefit assets and liabilities for the six months ended June 30, 2014, are as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 3,131,966	₩ (2,749,943)	₩ 382,023
Current service cost	226,697	-	226,697
Interest expenses (income)	68,647	(61,248)	7,399
	3,427,310	(2,811,191)	616,119
Remeasurements:			
Return on plan assets	-	(5,881)	(5,881)
Actuarial gains arising from changes in financial assumptions	23,778	-	23,778
Actuarial gains arising from experience adjustments	11,194	-	11,194
	34,972	(5,881)	29,091
Contributions	-	(4,739)	(4,739)
Benefits paid	(102,668)	72,784	(29,884)
Transfers in (out)	(454)	278	(176)
Effect of foreign exchange differences and others	(2,916)	6,978	4,062
End of the period	₩ 3,356,244	₩ (2,741,771)	₩ 614,473

Changes in net defined benefit assets and liabilities for the six months ended June 30, 2013, were as follows:

Description	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
	(In millions of Korean Won)		
Beginning of the period	₩ 2,975,771	₩ (2,154,022)	₩ 821,749
Current service cost	235,915	-	235,915
Interest expenses (income)	57,779	(41,852)	15,927
	3,269,465	(2,195,874)	1,073,591
Remeasurements:			
Return on plan assets	-	380	380
Actuarial losses arising from changes in financial assumptions	(25,559)	-	(25,559)
Actuarial losses arising from experience adjustments	(875)	-	(875)
	(26,434)	380	(26,054)
Contributions	-	(66,520)	(66,520)
Benefits paid	(80,743)	61,635	(19,108)
Transfers in (out)	2,692	(1,251)	1,441
Effect of foreign exchange differences and others	18,412	(10,795)	7,617
End of the period	₩ 3,183,392	₩ (2,212,425)	₩ 970,967

(5) The fair value of the plan assets as of June 30, 2014 and December 31, 2013, consist of the following:

Description	June 30, 2014	December 31, 2013
	(In millions of Korean Won)	
Insurance instruments	₩ 2,425,375	₩ 2,415,575
Debt instruments	91,621	66,149
Others	224,775	268,219
	<u>₩ 2,741,771</u>	<u>₩ 2,749,943</u>

34. CASH GENERATED FROM OPERATIONS:

Cash generated from operations for the six months ended June 30, 2014 and 2013, is as follows:

Description	Six months ended June 30, 2014	2013
	(In millions of Korean Won)	
Profit for the period	₩ 4,377,953	₩ 4,611,340
Adjustments:		
Post-employment benefits	234,096	251,842
Depreciation	924,351	874,760
Amortization of intangible assets	374,934	410,736
Provision for warranties	368,537	692,411
Income tax expense	1,241,648	1,328,015
Loss (gain) on foreign currency translation, net	(27,401)	93,477
Loss (gain) on disposals of PP&E, net	11,781	(80,037)
Interest income, net	(151,913)	(110,570)
Gain on share of earnings of equity-accounted investees, net	(1,377,015)	(1,413,193)
Gain on disposals of investments in associates, net	(1,467)	-
Cost of sales from financial services, net	2,063,153	1,821,328
Others	83,596	125,737
	<u>3,744,300</u>	<u>3,994,506</u>
Changes in operating assets and liabilities:		
Increase in trade notes and accounts receivable	(220,892)	(51,267)
Decrease (increase) in other receivables	(40,468)	401,529
Decrease (increase) in other financial assets	(97,335)	51,441
Decrease (increase) in inventories	(939,727)	82,923
Decrease in other assets	113,062	41,155
Increase in trade notes and accounts payable	502,136	334,138
Decrease in other payables	(891,269)	(1,852,674)
Increase in other liabilities	1,267,040	1,021,996
Increase (decrease) in other financial liabilities	(16,987)	693
Changes in net defined benefit liabilities	(4,915)	(60,930)
Payment of severance benefits	(29,884)	(19,108)
Decrease in provisions	(615,164)	(539,633)
Changes in financial services receivables	(1,111,289)	(190,325)
Increase in operating lease assets	(1,984,743)	(2,526,915)
Others	140,306	(5,851)
	<u>(3,930,129)</u>	<u>(3,312,828)</u>
Cash generated from operations	<u>₩ 4,192,124</u>	<u>₩ 5,293,018</u>

35. **RISK MANAGEMENT:**

(1) Capital risk management

The Group manages its capital to maintain an optimal capital structure for maximizing profit of its shareholder and reducing the cost of capital. Debt to equity ratio calculated as total liabilities divided by total equity is used as an index to manage the Group's capital. The overall capital risk management policy is consistent with that of the prior period. Debt to equity ratios as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014		December 31, 2013	
	(In millions of Korean Won)			
Total liabilities	₩	78,559,137	₩	76,838,690
Total equity		59,709,736		56,582,789
Debt-to-equity ratio		131.6%		135.8%

(2) Financial risk management

The Group is exposed to various financial risks such as market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk related to its financial instruments. The purpose of risk management of the Group is to identify potential risks related to financial performance and reduce, eliminate and evade those risks to an acceptable level of risks to the Group. Overall, the Group's financial risk management policy is consistent with the prior period policy.

1) Market risk

The Group is mainly exposed to financial risks arising from changes in foreign exchange rates and interest rates. Accordingly, the Group uses financial derivative contracts to hedge and to manage its interest rate risk and foreign currency risk.

a) Foreign exchange risk management

The Group is exposed to various foreign exchange risks by making transactions in foreign currencies. The Group is mainly exposed to foreign exchange risk in USD, EUR and JPY.

The Group manages foreign exchange risk by matching the inflow and the outflow of foreign currencies according to each currency and maturity, and by adjusting the foreign currency settlement date based on its exchange rate forecast. The Group uses foreign exchange derivatives – such as currency forward, currency swap, and currency option – as hedging instruments. However, speculative foreign exchange trade on derivative financial instruments is basically prohibited.

The Group's sensitivity to a 5% change in exchange rate of the functional currency against each foreign currency on income before income tax as of June 30, 2014, would be as follows:

Foreign Currency	Foreign Exchange Rate Sensitivity	
	Increase by 5%	Decrease by 5%
	(In millions of Korean Won)	
USD	₩ 28,344	₩ (28,344)
EUR	(9,843)	9,843
JPY	(5,846)	5,846

The sensitivity analysis includes the Group's monetary assets, liabilities and derivative assets, liabilities but excludes items of income statements such as changes of sales and cost of sales due to exchange rate fluctuation.

b) Interest rate risk management

The Group has borrowings with fixed or variable interest rates. Also, the Group is exposed to interest rate risk arising from financial instruments with variable interest rates. To manage the interest rate risk, the Group maintains an appropriate balance between borrowings with fixed and variable interest rates for short-term borrowings and has a policy to borrow funds with fixed interest rates to avoid the future cash flow fluctuation risk for long-term debt if possible. The Group manages its interest rate risk through regular assessments of the change in markets conditions and the adjustments in nature of its interest rates.

The Group's sensitivity to a 1% change in interest rates on income before income tax as of June 30, 2014, would be as follows:

Accounts	Interest Rate Sensitivity	
	Increase by 1%	Decrease by 1%
	(In millions of Korean Won)	
Cash and cash equivalents	₩ 13,645	₩ (13,645)
Held for trading non-derivative financial assets	(4,934)	5,064
Short-term and long-term financial instruments	4,387	(4,387)
Borrowings and debentures	(38,884)	38,884

The Company's subsidiaries, Hyundai Card Co., Ltd. and Hyundai Capital Services, Inc., that are operating financial business, are managing interest rate risk by utilizing value at risk (VaR). VaR is defined as a threshold value which is a statistical estimate of the maximum potential loss based on normal distribution. As of June 30, 2014 and December 31, 2013, the amounts of interest rate risk measured at VaR are ₩83,781 million and ₩65,863 million, respectively.

c) Equity price risk

The Group is exposed to market price fluctuation risk arising from equity instruments. As of June 30, 2014, the amounts of held for trading equity instruments and AFS equity instruments measured at fair value are ₩85,926 million and ₩2,200,935 million, respectively.

2) Credit risk

The Group is exposed to credit risk when a counterparty defaults on its contractual obligation resulting in a financial loss for the Group. The Group operates a policy to transact with counterparties who only meet a certain level of credit rating which was evaluated based on the counterparty's financial conditions, default history, and other factors. The credit risk in the liquid funds and derivative financial instruments is limited as the Group transacts only with financial institutions with high credit-ratings assigned by international credit-rating agencies. Except for the guarantee of indebtedness discussed in Note 37, the book value of financial assets in the consolidated financial statements represents the maximum amounts of exposure to credit risk.

3) Liquidity risk

The Group manages liquidity risk based on maturity profile of its funding. The Group analyses and reviews actual cash outflow and its budget to match the maturity of its financial liabilities to that of its financial assets.

Due to the inherent nature of the industry, the Group requires continuous R&D investment and is sensitive to economic fluctuations. The Group minimizes its credit risk in cash equivalents by investing in risk-free assets. In addition, the Group has agreements in place with financial institutions with respect to trade financing and overdraft to mitigate any significant unexpected market deterioration. The Group, also, continues to strengthen its credit rates to secure a stable financing capability.

The Group's maturity analysis of its non-derivative liabilities according to their remaining contract period before expiration as of June 30, 2014, is as follows:

Description	Remaining contract period					Total		
	Not later than one year		Later than one year and not later than five years		Later than five years			
(In millions of Korean Won)								
Non interest-bearing liabilities	₩	13,165,143	₩	1,978	₩	1,006	₩	13,168,127
Interest-bearing liabilities		13,231,307		37,268,856		1,336,876		51,837,039
Financial guarantee		1,154,706		75.883		118,526		1,349,115

The maturity analysis is based on the non-discounted cash flows and the earliest maturity date at which payments, i.e. both principal and interest, should be made.

(3) Derivative instrument

The Group enters into derivative instrument contracts such as forwards, options and swaps to hedge its exposure to changes in foreign exchange rate.

As of June 30, 2014 and December 31, 2013, the Group deferred a net loss of ₩12,774 million and a net gain of ₩1,207 million, respectively, in accumulated other comprehensive income, on its effective cash flow hedging instruments.

The longest period in which the forecasted transactions are expected to occur is within 57 months as of June 30, 2014.

For the six months ended June 30, 2014 and 2013, the Group recognized a net loss of ₩185,576 million and a net gain of ₩332,378 million in profit or loss (before tax), respectively, which resulted from the ineffective portion of its cash flow hedging instruments and changes in the valuation of its other non-hedging derivative instruments.

36. RELATED-PARTY TRANSACTIONS:

The transactions and balances of receivables and payables within the Group are wholly eliminated in the preparation of consolidated financial statements of the Group.

- (1) For the six months ended June 30, 2014, significant transactions arising from operations between the Group and related parties or affiliates by the Monopoly Regulation And Fair Trade Act of the Republic of Korea (“the Act”) are as follows:

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
(In millions of Korean Won)					
Entity with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 437,719	₩ 4,721	₩ 2,425,092	₩ 18,147
	Mobis Alabama, LLC	10,078	3,324	625,599	8,980
	Mobis Automotive Czech s.r.o.	22	229	626,992	-
	Mobis India, Ltd.	10,308	8,245	342,724	213
	Mobis Parts America, LLC	13,310	2,513	254,729	759
	Mobis Parts Europe N.V.	2,262	547	120,025	-
	Mobis Brasil Fabricacao De Auto Pecas Ltda	1,115	-	145,480	-
	Mobis Module CIS, LLC	-	241	113,220	1
	Others	7,277	356	210,030	7,679
		485,521	137,779	85,837	117,904
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	333,424	699	1,145,399	-
	Kia Motors Russia LLC	466,912	-	-	1,801
	Kia Motors Slovakia s.r.o.	64,130	11,299	300,352	387
	BHMC	498,225	18,119	186	-
	HMGC	166,047	-	1,243	3,107
	Hyundai WIA Corporation	66,235	163	389,581	5,854
	Hyundai HYSCO Co., Ltd.	9,759	901	36,364	13
	Others	197,242	13,513	1,391,337	786,283
Other related parties		1,163	90	352,931	224,504
Affiliates by the Act		342,166	34,939	2,189,549	741,542

For the six months ended June 30, 2013, significant transactions arising from operations between the Group and related parties or affiliates by the Act were as follows:

Description		Sales/proceeds		Purchases/expenses	
		Sales	Others	Purchases	Others
(In millions of Korean Won)					
Entity with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 392,013	₩ 4,181	₩ 2,306,601	₩ 11,899
	Mobis Alabama, LLC	16,567	-	658,605	-
	Mobis Automotive Czech s.r.o.	2	6,498	592,630	-
	Mobis India, Ltd.	10,131	22,524	397,046	147
	Mobis Parts America, LLC	14,040	221,622	253,448	331
	Mobis Parts Europe N.V.	914	1,091	100,572	74
	Mobis Brasil Fabricacao De Auto Pecas Ltda	8	-	109,413	-
	Mobis Module CIS, LLC	-	286	122,877	-
	Others	13,625	263,551	102,202	6,429
		455,056	128,552	138,109	153,145
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	368,313	77	1,254,551	704
	Kia Motors Russia LLC	524,784	-	-	1,240
	Kia Motors Slovakia s.r.o.	65,575	8,880	298,727	341
	BHMC	572,822	2,195	294	-
	HMGC	270,912	-	4,791	3,205
	Hyundai WIA Corporation	75,960	321	460,950	756
	Hyundai HYSCO Co., Ltd.	60,607	990	116,723	375
	Others	167,085	6,871	1,303,273	564,025
Other related parties		5,037	254	417,582	208,028
Affiliates by the Act		546,146	49,644	2,215,589	1,048,776

(2) As of June 30, 2014, significant balances related to the transactions between the Group and related parties or affiliates by the Act are as follows:

Description		Receivables		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
(In millions of Korean Won)					
Entity with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 163,432	₩ 28,170	₩ 831,247	₩ 99,760
	Hyundai Life Insurance Co., Ltd.	2,679	71,247	34	465
	Mobis Alabama, LLC	23	1,946	109,584	-
	Mobis Automotive Czech s.r.o.	63	355	124,591	-
	Mobis India, Ltd.	502	3,246	81,022	-
	Mobis Parts America, LLC	3,773	203,262	41,152	-
	Mobis Parts Europe N.V.	351	644	28,791	-
	Mobis Module CIS, LLC	-	48	22,894	-
	Others	4,288	185	27,377	24,584
		242,760	111,683	42,261	91,630
Joint ventures and associates	Kia Motors Corporation				
	Kia Motors Manufacturing Georgia, Inc.	48,928	11,778	144,020	14
	Kia Motors Russia LLC	84,646	36	-	284
	Kia Motors Slovakia s.r.o.	10,271	5,607	47,976	14,565
	Kia Motors America, Inc.	-	50,129	-	101
	BHMC	169,455	13,056	-	12
	HMGC	37,636	390	-	1,374
	Hyundai WIA Corporation	20,420	21,679	85,786	17,642
	Hyundai HYSCO Co., Ltd.	10,194	1,945	13,239	1,960
	Others	147,030	46,688	389,644	443,164
Other related parties		1,654	5,759	147,776	127,696
Affiliates by the Act		182,811	7,065	657,396	187,257

As of December 31, 2013, significant balances related to the transactions between the Group and related parties or affiliates by the Act were as follows:

Description		Receivables		Payables	
		Trade notes and accounts receivable	Other receivables and others	Trade notes and accounts payable	Other payables and others
(In millions of Korean Won)					
Entity with significant influence over the Company	Hyundai MOBIS Co., Ltd.	₩ 145,178	₩ 29,937	₩ 816,009	₩ 167,061
	Hyundai Life Insurance Co., Ltd.	1,078	38,369	102	1,398
	Mobis Alabama, LLC	-	1,290	78,629	-
	Mobis Automotive Czech s.r.o.	45	546	98,762	-
	Mobis India, Ltd.	543	10,496	96,200	-
	Mobis Parts America, LLC	2,280	211,572	36,595	-
	Mobis Parts Europe N.V.	682	1,192	22,824	-
	Mobis Module CIS, LLC	-	51	25,484	1
	Others	12,861	3,699	44,554	149
Joint ventures and associates	Kia Motors Corporation	229,225	284,253	51,676	115,888
	Kia Motors Manufacturing Georgia, Inc.	39,286	13,531	145,327	99
	Kia Motors Russia LLC	107,096	-	-	339
	Kia Motors Slovakia s.r.o.	7,181	7,121	42,431	19,673
	Kia Motors America, Inc.	-	49,828	72	382
	BHMC	172,422	9,743	386	214
	HMGC	16,300	2,245	-	1,676
	Hyundai WIA Corporation	37,711	28,591	131,423	43,575
	Hyundai HYSCO Co., Ltd.	1,269	2,354	15,460	4,025
	Others	119,489	40,330	379,266	349,067
Other related parties		699	4,362	158,542	139,193
Affiliates by the Act		148,752	22,116	488,217	430,285

- (3) Significant fund transactions and equity contribution transactions for the six months ended June 30, 2014, between the Group and related parties are as follows:

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
(In thousands of U.S. Dollars)					(In millions of Korean won)
Joint ventures and associates	\$ -	\$ -	\$ -	\$ 260	₩ 23,561

Significant fund transactions and equity contribution transactions for the six months ended June 30, 2013, between the Group and related parties were as follows:

Description	Loans		Borrowings		Equity contribution
	Lending	Collection	Borrowing	Repayment	
(In thousands of U.S. Dollars)					(In millions of Korean won)
Entity with significant influence over the Company	\$ 200,000	\$ -	\$ -	\$ -	₩ -
Joint ventures and associates	-	253	-	141	22,965

- (4) Compensation of registered and unregistered directors, who are considered to be the key management personnel for the six months ended June 30, 2014 and 2013, are as follows:

Description	Six months ended June 30,	
	2014	2013
	(In millions of Korean Won)	
Short-term employee salaries	₩ 76,550	₩ 65,311
Post-employment benefits	17,495	15,587
Other long-term benefits	214	142
	₩ 94,259	₩ 81,040

37. COMMITMENTS AND CONTINGENCIES:

- (1) As of June 30, 2014, the debt guarantees provided by the Group, excluding the ones provided to the Company's subsidiaries, are as follows:

Description	Domestic		Overseas (*)	
	(In millions of Korean Won)			
To associates	₩	-	₩	69,486
To others		148,722		1,157,911
	₩	148,722	₩	1,227,397

- (*) The guarantee amounts in foreign currency are translated into Korean Won using the Base Rate announced by Seoul Money Brokerage Services, Ltd. as of June 30, 2014.

- (2) As of June 30, 2014, the Group is involved in domestic and foreign lawsuits as a defendant. In addition, the Group is involved in lawsuits for product liabilities and others. The Group obtains insurances for potential losses which may result from product liabilities and other lawsuits. The Group is currently unable to estimate the outcome or the potential financial impact of such lawsuits but expects they will not have any material effect on its consolidated financial statements. Meanwhile, as of June 30, 2014, the Group is involved in lawsuits for the scope of ordinary wage and unable to estimate the outcome or the potential financial impact on its consolidated financial statements.
- (3) As of June 30, 2014, a substantial portion of the Group's PP&E is pledged as collateral for various loans up to ₩878,845 million. In addition, the Group pledged certain bank deposits, checks, promissory notes and investment securities, including 213,466 shares of Kia Motors Corporation, as collateral to financial institutions and others. Certain receivables held by the Company's foreign subsidiaries, such as financial services receivables are pledged as collateral for their borrowings.
- (4) Hyundai Capital Services, Inc., a subsidiary of the Company, has Revolving Credit Facility Agreements with the following financial institutions.

1) Credit Facility Agreement

Hyundai Capital Services, Inc. made a Credit Facility Agreement with GE Capital European Funding & CO (the "GE Capital") on February 15, 2013. The credit line of the agreement is Euro worth of USD 600 million, as of June 30, 2014. The agreement expires at January 9, 2015.

2) Revolving Credit Facility

Hyundai Capital Services, Inc. has a Revolving Credit Facility Agreement which credit line is USD 200 million and ₩1,395,000 million with Kookmin Bank and 18 other financial institutions, as of June 30, 2014.

- (5) Hyundai Card Co., Ltd, a subsidiary of the Company, has a Revolving Credit Facility Agreement which credit line is ₩930,000 million with Kookmin Bank and 12 other financial institutions, as of June 30, 2014.

38. SEGMENT INFORMATION:

- (1) The Group has a vehicle segment, a finance segment and other segments. The vehicle segment is engaged in the manufacturing and sale of motor vehicles. The finance segment operates vehicle financing, credit card processing and other financing activities. Other segments include the R&D, train manufacturing and other activities, which cannot be classified in the vehicle segment or in the finance segment.
- (2) Sales and operating income by operating segments for the six months ended June 30, 2014 and 2013, are as follows:

For the six months ended June 30, 2014					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 53,473,022	₩ 5,495,972	₩ 3,330,603	₩ (17,897,948)	₩ 44,401,649
Inter-company sales	(17,280,348)	(106,685)	(510,915)	17,897,948	-
Net sales	₩ 36,192,674	₩ 5,389,287	₩ 2,819,688	₩ -	₩ 44,401,649
Operating income	₩ 3,121,670	₩ 583,338	₩ 125,288	₩ 195,311	₩ 4,025,607

For the six months ended June 30, 2013					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total sales	₩ 52,796,214	₩ 5,273,598	₩ 3,294,230	₩ (16,813,538)	₩ 44,550,504
Inter-company sales	(16,076,059)	(157,643)	(579,836)	16,813,538	-
Net sales	₩ 36,720,155	₩ 5,115,955	₩ 2,714,394	₩ -	₩ 44,550,504
Operating income	₩ 3,427,375	₩ 673,610	₩ 187,607	₩ (13,566)	₩ 4,275,026

- (3) Assets and liabilities by operating segments as of June 30, 2014 and December 31, 2013, are as follows:

As of June 30, 2014					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 84,277,586	₩ 60,020,334	₩ 6,966,569	₩ (12,995,616)	₩ 138,268,873
Total liabilities	30,405,490	51,469,574	4,111,572	(7,427,499)	78,559,137
Borrowings and debentures	4,118,285	44,752,486	2,097,872	(2,196,074)	48,772,569
As of December 31, 2013					
	Vehicle	Finance	Others	Consolidation adjustments	Total
	(In millions of Korean Won)				
Total assets	₩ 80,927,475	₩ 59,157,882	₩ 6,496,797	₩ (13,160,675)	₩ 133,421,479
Total liabilities	29,481,884	51,055,240	3,724,238	(7,422,672)	76,838,690
Borrowings and debentures	4,425,746	44,561,579	1,738,408	(2,758,871)	47,966,862

- (4) Sales by region where the Group's entities are located in for the six months ended June 30, 2014 and 2013, are as follows:

	For the six months ended June 30, 2014						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 27,733,490	₩ 16,284,763	₩ 3,326,712	₩ 13,774,989	₩ 1,179,643	₩ (17,897,948)	₩ 44,401,649
Inter-company sales	(7,611,989)	(3,393,049)	(305,432)	(6,587,478)	-	17,897,948	-
Net sales	₩ 20,121,501	₩ 12,891,714	₩ 3,021,280	₩ 7,187,511	₩ 1,179,643	₩ -	₩ 44,401,649
	For the six months ended June 30, 2013						
	Korea	North America	Asia	Europe	Others	Consolidation adjustments	Total
	(In millions of Korean Won)						
Total sales	₩ 26,979,882	₩ 16,834,125	₩ 3,821,266	₩ 12,563,560	₩ 1,165,209	₩ (16,813,538)	₩ 44,550,504
Inter-company sales	(7,396,658)	(3,656,336)	(382,000)	(5,378,544)	-	16,813,538	-
Net sales	₩ 19,583,224	₩ 13,177,789	₩ 3,439,266	₩ 7,185,016	₩ 1,165,209	₩ -	₩ 44,550,504

- (5) Non-current assets by region where the Group's entities are located in as of June 30, 2014 and December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
(In millions of Korean Won)		
Korea	₩ 19,475,066	₩ 19,428,529
North America	1,853,662	1,882,933
Asia	1,088,989	1,057,874
Europe	1,920,193	2,080,979
Others	456,098	456,797
	24,794,008	24,907,112
Consolidation adjustments	(78,439)	(51,451)
Total (*)	₩ 24,715,569	₩ 24,855,661

(*) Sum of PP&E, intangible assets and investment property.

- (6) There is no single external customer who represents 10% or more of the Group's revenue for the six months ended June 30, 2014 and 2013.

39. CONSTRUCTION CONTRACTS:

Cost, income and loss and claimed construction from construction in progress as of June 30, 2014 and December 31, 2013, are as follows:

Description	June 30, 2014	December 31, 2013
(In millions of Korean Won)		
Accumulated accrual cost	₩ 7,316,295	₩ 6,201,961
Accumulated income	797,832	739,304
Accumulated construction in process	8,114,127	6,941,265
Progress billing	(7,081,455)	(5,993,002)
Due from customers	1,421,960	1,393,555
Due to customers	(389,288)	(445,292)